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Renegotiation: What It Is, What It Does, How It Works; Long-Term Planning — Its New Importance To Business

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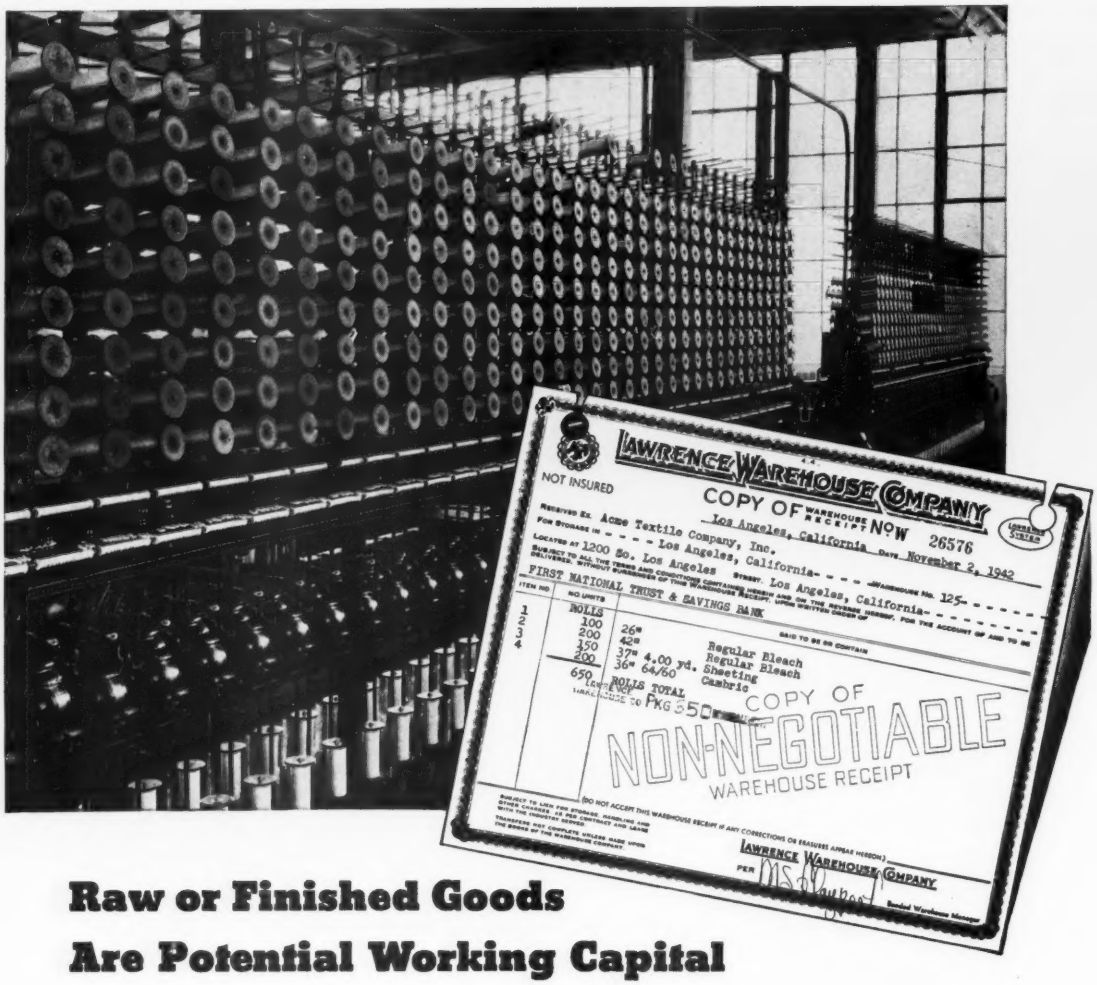
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INCIPAL SHOPPING STREET, SOUTH BEND, IND.—H. C. ELMORE

This Month's Cover

SOUTH BEND, IND.

The city received its name from its position at the great south bend of the St. Joseph River where it turns northward to Lake Michigan. The site was early visited by Marquette and La Salle when it was a Miami Indian village. A trading post for Jacob Astor's American Fur Company was established here in 1820 and in 1831, when the population was 168, a town was laid out. It was incorporated in 1835 and chartered a city in 1865. South Bend is 86 miles east and south of Chicago, in the midst of a farming, dairying, and fruit-raising country including the principal mint-growing district of the United States.

Adjoining the city is the 1,200-acre campus of the University of Notre Dame which last year celebrated the centennial of its founding by members of the French order known as the Congregation of Holy Cross and is still the General House for this Roman Catholic religious body. Coached by Knute Rockne the school's football teams achieved national distinction beginning in the twenties, its "Four Horsemen" of 1924 becoming legend.

The population is 101,268. South Bend's 153 manufacturers produced goods valued at $138,679,050 in 1939. Retail sales totalled $47,996,000 in 1,502 stores; 158 wholesalers did $46,619,000, and 525 service firms took in $2,716,000. Manufactures include automobiles, automobile accessories, brakes, lathes, farm equipment, bearings, and sewing machines—and war goods now.

The print reproduced for the cover of "Dun's Review" appears through the courtesy of O. E. Stelzer.

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*The information available this January pointing toward a victory in Europe in 1943 is far more favorable than that which was evident in January 1918, eleven months before the total collapse of Germany on November 11th of that year.**

IN attempting to appraise the situation at the close of 1942, it is hard not to be influenced too much by the daily news or by the tone of the comments of prominent men, especially those of high rank in the Army, the Navy and the Government. But it is even more difficult to sift facts from opinions or propaganda and to give the correct weight to military events without having some technical knowledge of their significance.

But even with this handicap, we have many fundamental facts available about which no question of authenticity exists. So it may not be entirely out of order to try to arrange the information which we know to be either definitely factual or which we have grounds to believe to be true, and to draw deductions from it which may be fairly accurate.

As we are probably almost unanimously convinced that we are going to win the war, we are now worried about the length of the war, so the important question is—when will the war be over?

But that question requires explanation for it is evident, although it was not as obvious at this time last year as it is today, that the war is distinctly divided into two phases—the German-Italian and the Japanese, and that each must be defeated separately. So far, events point to the defeat of Germany and Italy first and Japan afterwards.

It seems reasonable to surmise from the statements which Hitler and Tojo have made from the first day of the war until recently, that both of them fully expected that it would be a short war and told their people so. And as Germany and Japan collaborated closely before the war, it seems fair to assume that the leaders of each country calculated material stock piles and armament requirements on that premise in preparing for the war.

In considering when the war will be over, from the standpoint of the positions of Germany and Japan as far as raw materials and fighting equipment are concerned, we should draw a definite distinction between raw materials and finished products. For the shortage of the facilities to produce the semi-finished and

* I make this statement regarding the information which was available in January 1918 as at that time I was Editor of War Trade Intelligence in Washington, and I had access to all of the Allied information obtained through censorship and other sources. Subsequently, while in England later that year, I found nothing to modify this comment.

In the Spring of 1919, while a member of the Reparation Committee of the Peace Conference, I had access to the internal figures of Germany which disclosed the fact that a shortage of the raw materials necessary for the production of steel had had an important bearing upon the final defeat of Germany.

While in Washington during the year 1941 with the Office of Production Management, as Chairman of the Commercial Aircraft Priority Committee and subsequently as Chief of the Iron and Steel Branch, I had an opportunity to know definitely about the trend of the programs for the expansion of the production of aircraft and the expansion of steel making facilities in this and other countries. . . . A. D. W.

finished products required will have exactly the same bearing on the length of the war as shortages of the most critical and vital raw materials would have.

If Germany and Japan have all of the iron ore, the scrap, the high octane gasoline and the lubricants required and have not the plants, the equipment and the machinery to produce the steel, the tools, the tanks, the trucks, the planes, the rolling stock and the propelling power absolutely necessary, the adequacy of the raw material supply will in no way compensate for the shortages of the facilities to produce the finished materials from which the weapons, essential to carry on the war at its present rate of acceleration, are made.

It now seems apparent from all of the evidence available that the Axis countries in Europe and Japan made two, which may prove to be fatal mistakes in preparing for the war—

1st—as to the length of the war, for it has now gone beyond two years, the maximum definitely and repeatedly promised to the German people by Hitler,

2nd—as it is evident that neither Germany nor Japan expected the United States to have time to get into full production, they had not calculated on nor had they any conception of the productive capacity which they would have to have to meet the capacity which Great Britain and the United States have brought in, without including Russia.

For our production at the present time far exceeds any figure we could have ever thought we could do.

Although we have no actual facts about Russia, it is obvious that the productive capacity of Russia, even at present, is far greater and more efficient than either the Leaders of the Axis Powers or the United Nations had estimated it to be at the beginning of the war.

So leaving Russia entirely out of consideration, and for the time being as well as for the past two years it has been the most effective of the United Nations in action, the productive capacity of the United States and the British Empire in finished weapons of the most modern type is now twice that of Italy and Germany and the conquered countries combined, and six times that of Japan.

For the banks of planes, tanks and mobile artillery which were available to the Axis countries previous to 1942, and which represented an overwhelming advantage which the enemy held over the United Nations when the war started, are now largely obsolete, and in making comparisons in the armament fighting strength of the Axis countries and the United Nations in 1943, the measure should be the recent and current production of new models of practically all types of the most effective weapons.

And in making that comparison, it is just as feasible to calculate mathematically the equipment fighting strength of any country by using its finished steel productive capacity as a yardstick, as it is to estimate its fighting forces from its population figures, and the steel producing capacity of every country can be accurately estimated within a variation of 10 per cent at the most.

For instance, we know how many tons and the type of steel which is required to build a light, a medium, or a heavy tank. We know exactly the number of tons of steel necessary to build any ship according to its purpose and its displacement. We know the steel content of locomotives, freight cars, trucks and every other means of transportation.

In fact, there is nothing of a quantitative nature required in this war which is not subject to almost exact computation from the standpoint of its requirements for finished basic materials.

And every offensive and defensive weapon including the ammunition used in modern warfare is to some extent and in many of the important categories almost entirely constructed of steel.

So assuming that Germany, Italy, Japan and the conquered countries have unlimited supplies of raw materials available, particularly iron ore, scrap, manganese and other alloy elements, unless adequate facilities for the production of steel are available the excess raw materials are absolutely useless, as steel productive facilities cannot under any circumstances, if only because of the time factor involved, have been substantially increased above the estimates which the United Nations have made.

The fact that the Axis Powers might be adequately supplied with aluminum, magnesium, copper and oil, which is improbable as far as oil and copper are concerned, cannot offset the inadequacies of the finished steel supply which is known to be less than 50 per cent of the productive capacity of the United States and the British Empire alone, excluding Russia.

For there is no question but that steel, from the standpoint of armament, is the most important single material required by any nation at war as six times as much steel is used as all of the other metals combined.

The United States and Great Britain have more than ten times the steel production capacity of Japan.

The results of the war up to this time, while unique as far as the conquest of territory is concerned, have placed both the Axis in Europe and Japan in positions which are extremely vulnerable against forces equipped with offensive weapons balanced and expressly designed to take advantage of the weakness inherent in each situation.

The Axis in Europe must defend interior lines running from Mozdok to the Pyrenees and to North Cape, a triangle with equilateral sides of more than 2,000 miles each, or a total distance of 6,000 miles, practically all on land.

On the other side of the world Japan must defend three sides of a triangle measuring 5,500 miles from Kiska to New Guinea; 4,000 miles from New Guinea to Manchuria, and 2,500 miles from Manchuria to Kiska, a total exposure of 12,000 miles with more than 70 per cent of the mileage over water.

Unless the Axis is constantly on the offensive, these immense distances nullify the advantages accruing to interior lines and expose their long lines of communications to constant air or naval attack at points chosen by the United Nations, making transportation a key factor in the maintenance of their hold on their advance fronts. This pressure on transportation and maintenance is a very heavy burden to throw on already over strained steel production facilities.

Summary of Facts

The Axis in Europe and Japan are now in many respects both in the same serious predicament.

In the Far East, Japan had struggled for five years to dispose of China, and there is no tangible reason to believe that China is not in a position to carry on the war from now on as effectively as it has done up to this time.

During the third year of the World War, Germany and Austria were in a position to concentrate their full strength on the Western Front as Russia had made peace—and Germany and Austria were defeated within a year. Italy's value to the Allies was offset by Turkey which was then on the side of Germany.

In the third year of this war Germany, after employing for two years the most formidable concentration of armament ever brought together in the history of the world, while gaining hundreds of thousands of square miles of territory, has not knocked Russia out of the war. The Russian Army is intact.

In 1943 the Axis in Europe will be forced to fight Russia in the East and the British and the Americans somewhere in the North, West or South.

Excluding immense territorial losses, Russia practically alone has held out against the Axis coalition in Europe for the past two years as well as France and England held out during the first three years of the World War, with Russia fighting on the Eastern Front. So Russia in the present war may be considered at the least an offset to France and England in the World War, and on that assumption Germany, in 1943, will be forced to meet England and the United States somewhere on a second front with Russia as strong relative to Germany in 1943 as France and England were in 1918 on the Western Front.

In 1918 the American Armies on the Western Front were fighting almost exclusively with English and French weapons excepting small arms, and the sectors held were not long relative to those of the French and British Armies.

In Europe as in Asia, the preponderance of air power will be held by the British, Americans and Russians for the British production alone equals that of Germany, with Italy a very poor third, while the production of planes in the United States in 1943 will be twice that of Germany, and the planes will be of the most modern types, for in the Spring of 1941 the President instructed the Office of Production Management to build the plants and the facilities to produce heavy bombers on a scale never before even contemplated by any country in the world.

Those far-sighted instructions have made it possible to expand the production of planes of the types required for the purposes which it is now evident they will be used both in Europe and Asia. The number of planes coming off of production lines in this country monthly is five times that produced by Japan. And we are knocking down four Japanese planes to every one of ours that is lost.

Because of the extended overseas positions of the Japanese, their most difficult problem is the same as ours—shipping and the defense of shipping. We are producing more than twelve times the tonnage of ships which it is physically possible for Japan to build.

Conclusion Regarding European Situation

While every recent item of news indicates that Russia is still very formidable, there is no immediate indication to the effect that Germany is nearing defeat. But there is this intangible but vital difference *in the situation between the two countries—*

(a) The Russians and their fighting men have an added strong incentive to continue to fight as they know that powerful United Nations forces will substantially relieve the pressure on their Armies in 1943 —and the Russians have demonstrated that they have explicit confidence in their Leaders.

(b) On the other hand, the morale of the Army and the people of Germany and Italy will *be weakened more and more as they realize that they can expect no external help from any quarter on earth, and* at the same time, they must know that if Germany at the peak of its strength could not defeat either England or Russia singly, there is not the remotest possibility, after two years of all out effort, that they can expect to win in the future. Added to this is the fact that even the most fanatical Germans can no longer have blind confidence in their Leaders, who have over and over again made promises which have subsequently been proved to be absolutely false.

If Germany and Italy continue to hold their advance positions, as the offensive swings to the United Nations the advantages of interior lines will be lost because of the length of their lines of communications.

On the other hand, if the Axis materially contract their front, they will open Germany and Italy to even more frequent, devastating and intensive bombings of their industrial centers than would be possible from more distant bases.

Irrespective of where or how the second front in Europe is opened, the Axis countries know that no Siegfried Line or pillbox formations can defend their industrial and home fronts against destruction as domination in the air is inevitably and rapidly passing to the United Nations.

No comment has been made regarding the effect of the bombings on the productive capacity or the transportation facilities of Germany and Italy because the results cannot be accurately ascertained, but *there is no question* but that the continuance of concentrated bombings will have a decided influence on the outcome of the war, particularly when supported by the finest mechanized armies in the world.

It should be recalled that in the World War Germany appeared to be stronger six months before collapsing than at any other time during the war.

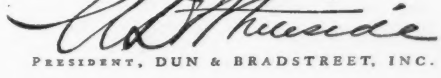
By drawing comparisons between the facts which are known at the present time and those *which were available in January 1918, there are substantial grounds to believe that there is a reasonable possibility* that the United Nations will defeat the Axis countries in Europe in 1943.

Conclusions Regarding Japan

After the Axis collapse in Europe, and the British and the American Air and Sea Forces are concentrated against Japan (proper), it will not be a question of taking machine gun nests in Buna, Guadalcanal or the Malay Peninsula, for United Nations attacks will probably be made largely by air from adjacent land fields against the few industrial centers of Japan to the point of extinction.

The outlying and advance positions spread over thousands of miles of land and sea held by the Japanese cannot hold out when the centers of all of the production of all armament and supplies have been blockaded or destroyed in Japan itself.

In the circumstances, it hardly seems possible that Japan will not be defeated in less than a year after the collapse of the Axis coalition in Europe.



PRESIDENT, DUN & BRADSTREET, INC.

January 1943.

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RENEGOTIATION

What It Is; What It Does; How It Works

ROBERT P. PATTERSON
Under Secretary of War

When renegotiation is regarded simply as a device to wipe out inordinate profits, the fuller significance of this much discussed often severely criticized technique is lost. Here Mr. Patterson relates it to national efficiency and inflation; tells how businesses deal with negotiators. The author's presentation may lead to a new understanding about renegotiation as an agent designed to speed war production on a basis sound for business today and for the peace to come.

ALL of the principal belligerents — the United States, Great Britain, Canada, and Germany —despite their intense preoccupation with the conduct of the war—have given considerable attention to the question of inflation and profiteering in war. This is an outgrowth of their experiences in World War I during which extensive profits, inflation and other factors led to the disastrous consequences of the post-war deflationary period.

Before I launch into the reasons for legislation adopted by the belligerents, and especially the United States, to control—or wipe out inordinate profits on war contracts, it is essential that we examine the events leading to the present approach to corporate profit control.

Before the entrance of the United States in World War I, price inflation had set in between 1914 and 1917. Our Allies, in a mad scramble to obtain commodities and armaments, had inordinately bid up prices. Their frantic demands and unco-ordinated bidding distorted the American price structure out of any semblance of normalcy.

"In other words, there was a robust inflation here before we ever entered the war." That was the judgment of Bernard Baruch, chief of the War Industries Board in World War I. In the years immediately following the war, the United States was going through a period of readjustment. It was a restless period, a period of re-awakening to the tremendous influence which this country had exerted on the world. It was natural, therefore, that in the light of these developments restlessness should find some mode of expression in re-weighing the part which this country had played so swiftly between April 1917 and November 1918.

The country—the people and the soldiers—began to re-weigh the consequences of the war. Some believed that

"PROFITEERING was a deadly sin, and our inability to eradicate it was a matter of greatest regret to me from the point of view of morale. Many times I made an effort to get at the bottom of it. The war profiteer is a loathsome phenomenon and he and the conception of his influence have done us incalculable harm."—General Ludendorff on the reasons for the German collapse in 1918.

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unemployment, profiteering and inflation were responsible for the period of post-war stagnancy. This thinking began to influence the people. Congress itself could not overlook the dissatisfaction. This thinking was finally co-ordinated in one of the nation's most influential bodies—the American Legion. The Legion finally launched a campaign to "Take the Profit Out of War." This cohesion was slow in forming. Almost twelve years after the Armistice, the Congress adopted a resolution giving the Senate authority to launch an investigation of the munitions industry. For the inquiry it gave the following reasons:

"Whereas the 71st Congress, by public resolution number 98 approved June 27, 1930, responding to the long standing demands of American War Veterans speaking through the American Legion are for legislation 'to take the profit out of war.'"

The Senate committee took thousands of pages of testimony and called hundreds of witnesses. No majority report was filed, but five years later—on March 13, 1935—the minority reported: "This committee is in substantial agreement on a very thorough planning to take the profit out of war and to equalize the economic burden. The committee is emphatically convinced that no bill which contains only general authorities to the President to fix prices, or to commandeer industry or to arrange for priorities and licensing is at all adequate 'to equalize the burdens and to take the profit out of war.'"

Baruch on Inflation

The War Policies Commission also conducted hearings and the sum and substance of their conclusions was that the restrictions such as price-fixing, higher taxes, and priorities were not sufficient either to control inflationary forces or to prevent inordinate profits. As an appendix to their conclusions, the commission weighed the consequences of inflation described in the following quotation from Mr. Baruch:

"Except for human slaughter and maiming and all the cost that goes with them, inflation is the most destructive of the consequences of war. It doubles the cost of war, imposes the severest hardships on our people and, through inevitable deflation, burdens the future with a constant high and increasing debt and a long period of painful and bitter readjustment."

As a result of the last war's experience, the people and the Congress went on record as unalterably opposed to a repetition of wartime profiteering. The first recent attempt providing for limitation of profits on Government contracts was in connection with the manufacture and construction of naval aircraft in 1934 (Vinson-Trammell Act). This law required the contractor, or subcontractor, to pay into the Treasury any excess profit realized on a particular contract by limiting the allowable profit to 10 per cent of the total contract price.

The next action was taken on April 3, 1939. One of the sections of the act provided that contracts for Army aircraft (heretofore the law applied only to naval contracts) should be subject to limitation of profits contained in the Vinson-Trammell Act of 1934. On June 28, 1940, in an effort further to limit profits because of the large building expansion, an act was passed changing the allowable profits on naval vessels and Army and Navy aircraft to 8 per cent.

On April 23, 1939, Congress for the first time since World War I, authorized the Secretary of the Navy to negotiate, without competitive bidding, contracts for certain public works projects outside the continental limits of the United States on a cost-plus-fixed-fee basis.

Between 1934 and the outbreak of war on December 7, 1941, the profit limitation legislation was of an experimental nature. It was constantly revised to meet new exigencies. However, Congress did not veer from the basic concept of profit limitation on war contracts.

Elimination of Excessive Profits in Renegotiation

EXCESSIVE profits realized or likely to be realized may be eliminated in various ways, among which are the following:

1. Through cash refund by the prime contractor to the Government, in which event his contract prices would not be adjusted.

2. A reduction in the contract prices on future deliveries under price contracts, which automatically would accrue to the benefit of the Government.

3. A direct cash refund by the subcontractor to the Government.

4. A reduction in the contract prices on future deliveries under subcontracts with a provision that any prime contractor receiving the benefit thereof should pass on an equivalent benefit to the Government in the form of a corresponding reduction in the contract prices of its prime contracts or a direct cash refund to the Government.

These methods may also be used in combination and are not exclusive of other appropriate and effective methods applicable to particular situations. When the procedure under point 4 places an undue burden of adjustment on the prime contractor, the latter can arrange with the Government for a periodic method of accounting.

Senator David I. Walsh of Massachusetts, chairman of the Senate Naval Affairs Committee, discussing the history of profit limitation on war contracts said: "It became apparent to the Senate Appropriations Committee that many negotiated contracts were awarded before either of the contracting parties had any accurate idea as to the actual cost of producing the article on a mass production basis. Firms and corporations naturally bid very high or negotiated at a very high price in order to play safe. When the actual cost of manufacturing the article became known it was apparent that some firms were making an excessive profit, and both the Government and the manufacturer desired to renegotiate the contract in order to reduce the cost to the Government."

Prior to the adoption of the renegotiation law, or Section 403 of the Sixth National Defense Appropriation Act, the House had adopted the Case amendment, the purpose of which was to limit profits on any war contract to 6 per cent. The War Department opposed the amendment and suggested its elimination. Subsequently, the Chairman of the Senate Sub-Committee asked representatives of the War and Navy Departments, the Maritime Commission, and officials of the War Production Board to propose a substitute method of preventing exorbitant or unanticipated profits on war contracts.

Finally, Congress enacted a statute imposing upon each of the services the duty of eliminating excessive profits by a process of renegotiation, or readjustment of the contract price. The renegotiation law, known as Section 403 of the Sixth National Defense Appropriation Act, was signed by President Roosevelt on April 28, 1942.

Section 403 did not only provide for renegotiation of war contracts entered into after its enactment, but also contracts entered into prior to April 28, 1942, and not fully paid for on that date.

One might ask why should the Army, the Navy, the Maritime Commission and the Treasury be interested in plans to control inflation and war profiteering? The answer is simple. High prices stretch to the very front fighting lines, on land and on sea. They affect the living standard of the people at home whose sons are fighting. Finally, profiteering has a definite effect on morale.

The motivating factor behind the wishes of the services for authority to exercise a *flexible* means of recapturing exorbitant profits, as opposed to a flat profit percentage, resulted from the experiences of the last war, plus the experience of England and Germany in dealing with the same subject. Other fundamental economic factors were also considered.

"Taxes Won't Check Inflation"

Price fixing and a stiff excess profits tax had failed to prevent exorbitant profits. But Mr. Baruch and the War Policies Commission emphasized this fact in reports and statements made in the post-war years in evaluating the economic conduct of the war.

"Excess profits (taxes) standing alone have no effect whatever to check inflation," Mr. Baruch said. "Their only effect is to increase it. Thus 20 per cent of $500,000 is $100,000 and 20 per cent of $1,000,000 is $200,000. One way to increase $500,000 profit to $1,000,000 without increased risk or effort is to double the price. For this reason there is more incentive to increase prices—and therefore profits—under an 80 per cent excess profits tax than there is without it. Indeed, the main result of such a system is to induce rapid price increase to absorb the tax. Precisely because it accelerates and in no-wise checks inflation the excess profits tax—without more—offers no cure at all for war evils. On the contrary it aggravates them."

The excess profits tax is indispensable in war-time economy and industrial mobilization, but it is not the answer to the prevention of exorbitant profits. Mr. Baruch gave two reasons for his views:

(1) It is both futile and unnecessary to try to stimulate production by high prices—relying on an excess profits tax to recapture profits.

(2) The excess profits tax—standing alone as a means for equalizing the burdens and eliminating the profits of war—is fatally defective because it aggravates inflation and therefore fails to protect us against the most destructive phenomenon of modern war.

England has been pre-occupied with the question of excess profits and profiteering on war contracts. The Fourth Report from the Select Committee on National Expenditures, Section 1940-1941, deals extensively with the subject. Contracts providing for price adjust-

ments have been common in England, but cost plus (whether plus a percentage or plus a fixed fee) "have no other merit than simplicity," the select committee concluded, adding:

"The general weakness in all the costed forms of contract lies in the reduction of the incentive to produce at lowest cost, since the contractor is always given some degree of protection against rising costs. In certain cases not only is this protection absolute, but it is also accompanied by profits which increase in proportion to costs."

In England as in the United States those who have opposed renegotiation have contended that it is more important to produce than to keep costs down. On this point, the committee argues as follows: "The effort to maintain or restore some incentive to cheap production, which is the object of modifications or adjustments in renegotiated contracts, has been disparaged on the ground that output is more important than price and that attempts to effect paltry economies may seriously disturb the productive organization. The answer to this lies in the relation between costs and efficiency, which experience shows to be so close that maximum output is unlikely to be attained under conditions in which costs are to any considerable extent above the minimum. Unwillingness to press for a return to fixed prices seems to be associated with the misapprehension that maximum output and economy are distinct and frequently incompatible items.

"Maximum output is essential, but if it is to be achieved, the expenditure of national resources—whether in manpower, in materials or in capital equipment—must be at a minimum for each unit of output; and one indispensable method of bringing this about is to pay the closest attention to sound methods of contract procedure.

"The prime necessity in war economy is for the maximum and most efficient use of manpower and materials. It is a fundamental mistake to suppose that a form of output may be comparatively expensive in terms of money and yet cheap in terms of real resources."

Germany's Experiences

Despite the fact that German industry has been operating under one of the most stringent price control and profit limitation systems under any modern economy, it has also been subject to contract renegotiation. Fundamentally, profit limitation in Germany has been used as a weapon to encourage efficiency of production.

Efficient and low-cost producers in the Reich have been rewarded handsomely by the government. Until recently, German prices of war materials have been based upon the costs of the individual producer, but it was determined that this basis did not allow for rewarding efficient production or discouraging excessive costs of manufacture on the part of others.

The method evolved and now in operation in Germany is of interest, however much we may disavow any desire to follow German practice.

In Germany, prices paid for war materials do not conform to the costs of an individual firm but are based in general on the costs of a group of suppliers and correspond to those of a representative producer within that group. The composition of the groups is based upon the costs of production incurred by the various manufacturers. All those manufacturers whose costs of production come within the lowest range are placed in Price Group I, and the others are placed in higher cost range groups in accordance with their respective costs of production.

The price for Group I, which is derived from the previous lowest cost price, is adopted as the uniform price for the category of war materials concerned. It is the intention to bring the group prices for higher cost groups into closer conformity with the uniform price as soon as possible. The uniform price and group prices are to be enforced throughout, even with respect to contracts already made, and contractors are not allowed to return or refuse the acceptance of an order or delay the delivery thereof because the price designated is found to be insufficient. A contractor may possibly have to produce at a loss until such time as his application to be placed in a higher price group is approved.

As an incentive toward cost reduction for classification in Price Group I, it is provided that profits made by pro-

SMOOTHING A SHIP'S BOTTOM—FREE LANCE PHOTOGRAPHERS GUILD

ducers in that group will not be subject to excess profits tax deductions. The entry into Price Group I is effective retroactively as of January 1, 1941.

As an additional incentive, firms in Price Group I are also to be given priority with respect to labor and materials. On the other hand, firms unable to produce at costs sufficiently low to allow them to be placed in Price Group I will not only continue to be subject to excess profits taxes, but they must expect to be at a comparative disadvantage, and in the event a reduction is to be made in the orders placed, they will be withdrawn first from those firms that are not able to sell at the uniform price, and preferences with respect to the assignment of workers, raw materials, and other industrial needs will be likewise rescinded.

Both the British and the Germans are looking beyond the pale of recapture or elimination of inordinate profits. They are driving towards the maintenance of their industrial machinery at peak efficiency during war-time, in order to be prepared to re-enter the world markets and outsell their competitors after the war.

There is no intention to kill the profit motive, but to control it, if it exceeds "normalcy." Normality may differ according to the country, but, generally speaking, it stands for a "fair profit."

Conditions similar to World War I existed at the time of Pearl Harbor. France, England, Holland, and other nations began to rearm frantically after the outbreak of war in September 1939. Their own industrial facilities had not been converted to war production and as a consequence they placed orders in the United States for armaments, particularly planes and ships.

Prices for material were not the important factor, but production at any cost. As a result of this sudden demand, their purchasing policies began to affect the American price level. This is reflected in the Bureau of Labor Statistics index of 900 wholesale prices, which, in October 1939, stood at 79.4 and by December 1941, had moved to 93.6. It is now hovering at the level of 100.

United States rearmament between September 1939, and June 1940, or at the time of the collapse of France, was relatively slow. However, between France's fall and Pearl Harbor the armed services let about $65,000,000,000 in war contracts. War appropriations now total $240,000,000,000, which compares with the $21,850,000,000 actual dollar cost of our participation in World War I.

If inordinate profits were reaped by some companies under a $22,000,000,000 war program, what will be the consequences under $240,000,000,000 of current appropriations and authorizations? If profits are permitted to grow to unlimited levels, feeding the inflationary fires, the consequences would be disastrous.

Reasons for Renegotiation Need

Consider these fundamental factors also. War changes the economic tempo of a nation. For example, private industry now doing war business, which heretofore competed for the privilege of selling its products, now has no competition. The Government is virtually its only customer. War-time production is a far-cry from the myriad of gadgets which companies turned out for the public—it is a different production. Let me list the following reasons why renegotiation is necessary:

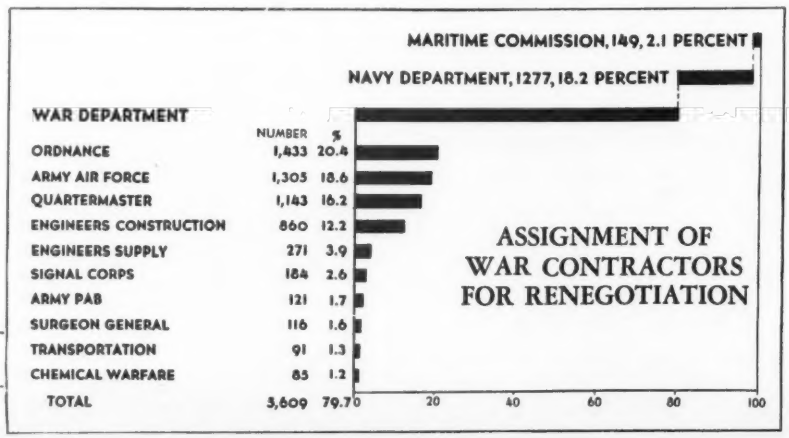
(1) Many of the costs of peace-time business, such as the volume of consumer advertising and competitive effort, are not present in Government business.

(2) The volume of Government business is in many cases far greater than normal peace-time volumes. It is a general principle that larger volume and narrower profit margins go hand in hand.

GRIFFIN FROM FREE LANCE PHOTOGRAPHERS GUI

(3) It is a business axiom that there are many hidden profits in a long production run and Government contracts, in many cases, provide larger runs than the contractors have ever known in peace-time conditions. This means there are many opportunities to increase profits by reducing costs. The probability of such reduction is so great that the Government is justified in fixing a low rate of profit in the estimates in the expectation that the returns will be increased by the economies of the long run.

(4) Each unit of an increased volume of production can be produced with less capital investment per unit.



(5) Increased volume of manufacture reduces the charge for fixed overhead per unit of production. All of these factors are considered by the Boards in determining reasonable profits, in addition to such other unique and special questions as may arise.

It is under such circumstances that Congress and the services felt that it was necessary for authority to keep in check the numerous economic variants which enter war production. Furthermore, the control of costs is the simplest method by which to attain efficiency for war and post-war development.

Very briefly Section 403 of the Sixth National Defense Appropriations Act, passed April 28 and amended October 21, provides for adjustment, accomplished through over-all renegotiation, of certain war contracts and subcontracts. Renegotiation is conducted by the Price Adjustment Board of either the Army, Navy, Treasury, or Maritime Commission—whichever has generally the dollar preponderance of contracts with the company in question. Contractors and subcontractors whose aggregate sales for war purposes are less than $100,000 in a fiscal year are exempted. Also exempted are prime contracts and subcontracts made with other Federal or local Governmental agencies or a foreign government and those which are for the product of a mine, oil, or gas well, or other mineral or natural deposit or timber which has not been processed, refined or treated beyond the first form or state suitable for industrial use.

Excessive profits are determined by an over-all study of a company's financial position and the profits, past and prospective, from its contracts are taken as a whole rather than by analyzing each individual contract on a unit cost basis. The statute does not confer any authority of renegotiation with respect to profits on contracts other than war contracts and all commercial or non-war profits are segregated and no renegotiation with respect thereto takes place. The statute provides that a renegotiation clause shall be inserted in every war contract of $100,000 or more.

Performance and Risk Factors in Renegotiation

PERFORMANCE

1. Quality of production.
2. Rate of delivery and turnover.
3. Inventive contribution.
4. Co-operation with other manufacturers.
5. Economy in use of raw materials.
6. Efficiency in reducing costs.

RISK

1. Increase in cost of materials.
2. Imminent wage increases.
3. Inexperience in new types of production.
4. Complexity of manufacturing technique.
5. Delays from inability to obtain materials.

The law specifically authorizes final agreements for a specified past or future period when a contractor or subcontractor has renegotiated in good faith and agreed to eliminate excessive profits for such period.

Two provisions effect a statute of limitations on renegotiation. One prohibits renegotiation after one year from the close of the fiscal year in which the contract or subcontract was completed or terminated. The other authorizes a contractor to file financial and cost statements for a prior fiscal period and obtain clearance under the statute unless the Secretary begins renegotiation within one year thereafter.

Profit Incentive Maintained

Generally speaking, the policy of the Boards is to emphasize forward pricing on a basis which will eliminate the possibility of the accumulation of excessive profits as contrasted with recapture or refund for a past period.

A statement on policy issued last August by the Army, Navy, and Maritime Commission emphasizes one aspect of the approach made by the Price Adjustment Boards:

"The profit incentive must be maintained in order to obtain more and larger war production. However, there is the obligation to the public to keep prices down and avoid an inflation that could become disastrous. The over-all dollar cost of this war must be kept as low as possible to lessen thereby the burden of taxes which the post-war public will pay to carry the rising national debt.

"The right to a reasonable profit is basic. There are abnormal risks and variable factors to be considered in realistically measuring a war contractor's status. Each case presents individual problems. The Boards encourage an uninterrupted, efficient and maximum production of war goods on a low cost basis, and the efficient manufacturer deserves the protection of a reasonable operating profit."

The work of these Price Adjustment Boards, in treating with the over-all problem, will not obviate the duty of contracting officers to continue to survey the specific contracts in their care. The Boards desire to encourage contractors to adjust costs under individual contracts, wherever there would otherwise result an excessive over-all profit margin for the company. This may avoid the need of over-all readjustments by the agency to which the company has been assigned for review.

Slightly over 7,000 war contractors have been assigned for renegotiation. These, in the main, represent the contractors having the largest volume of contracts. The Boards are renegotiating with these companies as rapidly as possible. Other smaller contractors will be assigned as and if the Boards receive indication, from various sources available to them, that any of them are making or are likely to make excessive profits.

The War Department Price Adjustment Board is decentralizing its work among Price Adjustment Sections representing the various services, and further decentralization is effected by assignment of cases to sections in the field. For example, the Chief of Ordnance has thirteen Price Adjustment Sections located in important industrial centers throughout the country, Army Air Forces have four, Engineers Construction have thirteen, etc.

Renegotiation is initiated with the

(Continued on page 32)

BUENOS AIRES SKYLINE—CUSHING PH

THE METRIC SYSTEM
and Latin-American Friendship

OTTO E. KRAFT
Manager, Foreign Department
DUN & BRADSTREET, INC.

ON October 15, 1942, the Brazilian Government changed its monetary system importantly.

Previously the monetary unit was the milreis (one thousand reis). This small unit, equivalent to roughly five cents U. S. currency, was expressed in figures as: 1$000. The conto or 1,000 milreis, equivalent to about $50 U. S. currency, was written 1:000$000.

Statements of even medium-sized Brazilian houses showed assets running into ten figures (Brazilian currency). For instance, 1,000 contos or one million milreis were written 1,000:000$000, and this was equivalent to but $50,000 U. S. currency. For really large enterprises, in the million dollar category, the Brazilian figures were astronomical. For example, five million dollars were 100,000:000$000.

The Brazilians, like ourselves and our British cousins, are fond of their traditions and slow to change them; and yet the old system was thrown out of the window and a decimal system of currency was adopted. The "cruzeiro" takes the place of the milreis and, while the unit itself is a small one, accounting is greatly simplified, as one cruzeiro (Cr.$) is now written "Cr.$1,00", while 1,000 cruzeiros (one conto) are Cr.$1.000,00.

So, practically overnight, our great southern friend and ally has discarded its cumbersome system and adopted one better fitted to modern conditions.

We hear a great deal about Hemispheric Solidarity, yet our system of weights and measures is totally at variance with that of the ten South American Republics, the six Central American Republics, and our next door neighbor and ally to the south, Mexico. In every one of these, as well as in the independent nations of the West Indies and in some of the colonies of foreign powers, the metric system is in use.

Of the large countries in our hemisphere, only Canada and the United States still cling to the archaic and cumbersome system of weights and measures represented by ounces, pounds, tons; gills, pints, quarts, and gallons; inches, feet, yards, rods, and miles. Aside from this we have troy weight and avoirdupois, the short ton and the long ton, and many other units which

THE problem of standardization of weights and measures became more serious as trade grew out of the weekly local marketplace. With the rebirth of trade over the ancient routes in the eleventh and twelfth centuries lack of standardization was as great an impediment to the expanding commerce as the muddy, narrow, and rough roads over which goods must pass, the excessive tolls exacted by the lords, and the robbery by brigands. From place to place weights and measures differed and *caveat emptor* served feebly to substitute for equity and efficiency.

Weights and measures were first standardized in England as early as the thirteenth century and with the rapid expansion of English trade her pound (*libra* introduced there by the Roman occupation), was diffused internationally back through the regions whence it came, mingling with other units of the same derivation revised by need and custom, as well as with many others.

As trade transformed Europe, man's techniques for exchanging the goods developed but slowly. As late as the end of the eighteenth century there were still in Europe 391 different units of weight corresponding to the term pound, while the word foot applied to 282 different units of length. In the long process money had become less scarce and its use increased. Multiple coin measures only added to the confusion as traders tried to analyze goods and services in money terms.

Although Picard, Mouton, and others had suggested the adoption of scientific measurements as early as the seventeenth century nothing was done about it until the French Revolution, which brought a series of reforms contributing to the general welfare of commerce and industry in France and, in the wake of Napoleon, throughout large areas of the Continent.

In 1790 Talleyrand put the matter before the National Assembly which subsequently decided on a system based on the meter and the kilogram, and a secondary or derived unit, the liter. The franc became the new unit of coinage. The length of the meter was intended to be one ten-millionth part of a meridianal quadrant of the earth between Dunkirk and Mont Jany. The desirability of the system was quickly recognized by scientists and its use soon spread rapidly throughout the world.

Belgium and the Netherlands adopted the metric system in 1816, Greece in 1836, Spain in 1849, and Portugal in 1852, and it became compulsory throughout the German Empire in 1872. In 1875 an international treaty provided for an International Bureau of Weights and Measures, insuring "the international unification and improvement of the metric system."

The office of the bureau was established at Sevres, a suburb of Paris, and is maintained by assessments of the signatory governments, including the United States. At the bureau are kept the International Prototype Meter and the International Prototype Kilogram which have superseded the original Meter of the Archives and the Kilogram of the Archives.

The metric system is either obligatory or permissive in every civilized country of the world. The use of the system was legalized in the United States by Act of Congress in 1866. By statute or regulation international electric units based on the metric system have been made the legal units of electrical measure in the United States, and the metric system is used in the medical work of the War Department, the Navy Department, and the Public Health Service of the Federal Security Agency.

UNLOADING U. S. FREIGHT AT GUATEMALA—CUSHING PHOTO

mean absolutely nothing to the other countries of this hemisphere and often are not thoroughly known to our own people.

We have all heard the riddle "What weighs more, a pound of gold or a pound of feathers?" Sounds silly, doesn't it? A pound of gold, for which troy measure is used, is equivalent to 5,760 grains; while a pound of feathers, for which avoirdupois measure is used, is equivalent to 7,000 grains. So a pound of feathers weighs 1,240 grains more than a pound of gold!

Unless you are a farmer or a surveyor, the chances are you do not know offhand how many square feet or square yards or square rods there are in an acre, or how many acres there are in a square mile.

Is not this the time to start thinking of throwing our antiquated system into the discard and of adopting the metric system?

Implementing A Slogan

That would be one way of proving to our Latin-American neighbors, friends, and many actual allies in the war, that we really mean "solidarity" with them, instead of regarding the word merely as a slogan.

Think of the advantages to the Brazilian exporter of essential raw materials if he can quote prices in kilograms without figuring out the equivalent in pounds; to the Colombian importer who needs so many meters of goods and does not have to convert them into yards; to the Mexican manufacturer who has so many square meters of floor space for machinery he requires and does not have to convert them into square feet.

After the war we shall, sooner or later, face European competition again. I have repeatedly heard the statement made in Latin America that it is easier to handle European than United States merchandise because the Germans, the French, the Spaniards, the Italians, use the metric system and we do not. If we can eliminate that complaint, it will undoubtedly swing some business to the

United States and tie us more closely.

Shortly after the fire on the *Normandie* many stories were heard about why it was possible for that magnificent liner, reputed to have had the finest fire-fighting equipment available, to have been so severely damaged by fire in such a short time. One was that the hose had deteriorated and that the hydrants had the French metric threading, while the hose couplings available in the United States had American threads; and the delay in changing the hydrants made it impossible to use the hose when it was so badly needed. No one can be held to blame for this, if it is true, but if the threading had been uniform, the *Normandie* might already have ferried thousands of our boys across the seas to points where they are so vitally needed.

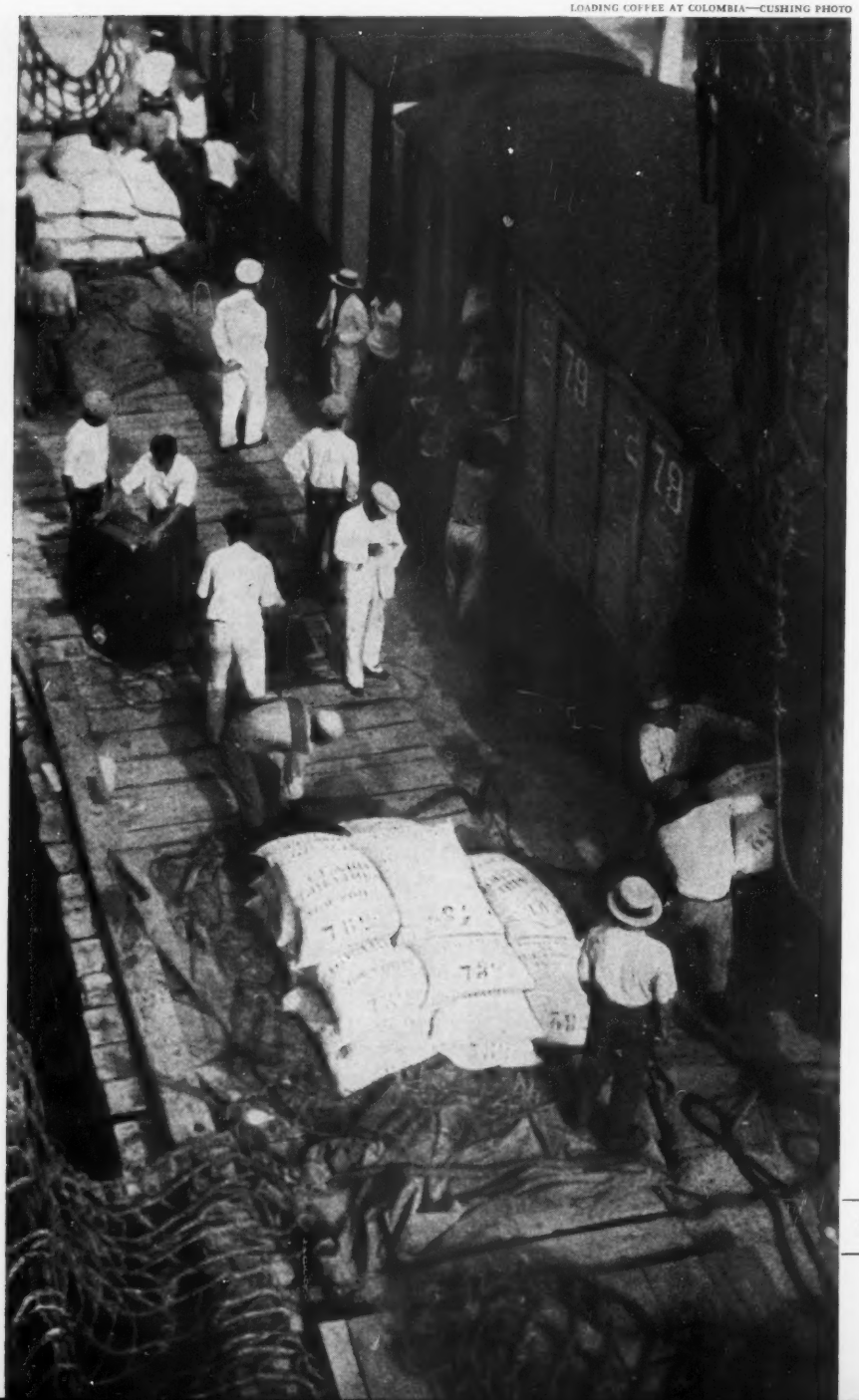
Many of our large factories are now working solely on war orders. When the war is over they will have to start anew on commercial business. Already methods of packaging and types of containers have been changed. Changes of dimensions and of weights are the next logical step.

It may be admitted freely that changing our whole system of weights and measures, especially land measures, would present a great many difficult problems, but they are not insurmountable. We have seen some of these changes in our own lifetime. In Mexico, for instance, within the past decade the time recording system was officially changed. From the twelve-hour clock a change was made to the twenty-four hour clock. There was a lot of grumbling at the outset; the measure was "radical" and "new-fangled."

However, all official time is now on the twenty-four hour schedule, and all railroads use it. It was not necessary to change the dials of the clocks; numbers from 13 to 24 were placed under or over those from 1 to 12. All doubt as to whether your train leaves at 6:32 A.M. or 6:32 P.M. is done away with. The timetable says it leaves at 18:32, so you know you have the whole day before you roll out of the Buenavista Station in the early evening.

Incidentally, our army and navy have been using the twenty-four hour schedule. If you are in a fox-hole on Guadalcanal and are notified by field telephone that the zero hour is 4:02, you do not have to ask "A.M. or P.M.?"

LOADING COFFEE AT COLOMBIA—CUSHING PHOTO



Time For Change

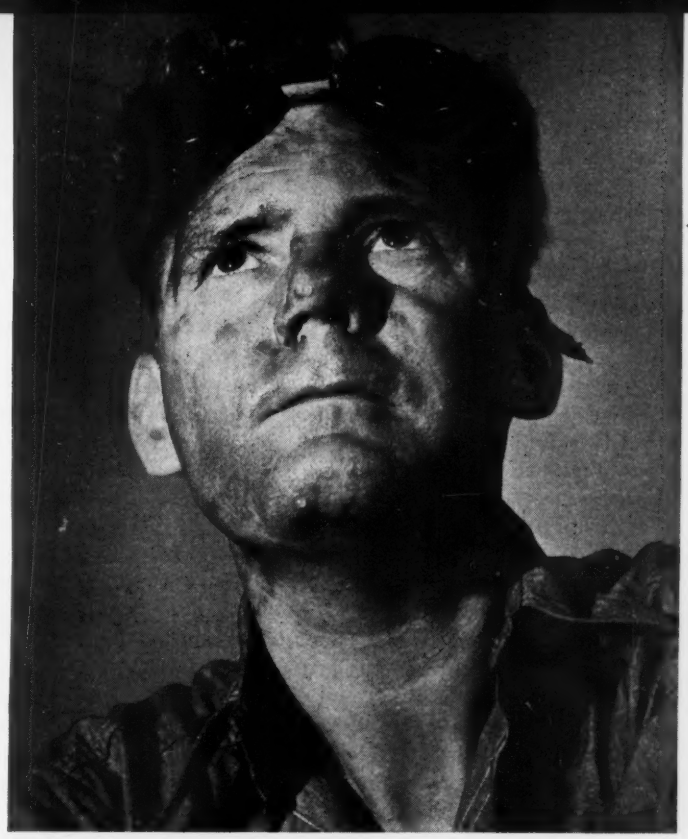
That is a change brought about by the war and we may see it in more general use before the war is over.

The war has already caused radical changes in our whole mode of life. You are driving more slowly and driving less. You cannot say "fill 'er up" when you go around to get gas. You cannot get the sugar you used to, nor the meat, nor the coffee, nor the golf balls, nor the tires. A year ago, we would have considered those changes "radical." Yet we have taken them in our stride and we shall take many more.

Our whole system of living is changing and it will surely change even more.

Is this not the time to adopt the metric system, or at least those weights and measures used in our dealings with foreign countries?

In regarding long-term planning a necessary patriotic act the author is aware of the dangers and difficulties and thoroughly analyzes some of the most important ones. As budgetary control has been the most significant development in industrial administration during the past quarter of a century, he believes the next great step may well be "longer-term sensitiveness so that the dim outlines of the more distant future may be disclosed and its opportunities defined as destiny descends upon us."



EWING GALLOWAY

"When it becomes clear throughout the organization that long-term planning is taking place and that ideas will be welcome, a new spirit will arise upon the conviction that the future of the establishment no less than the country is also worth fighting for."

LONG-TERM COMPANY PLANNING

Its New Importance to Business

ERWIN HASKELL SCHELL

In Charge Department of Business and Engineering Administration
Massachusetts Institute of Technology

PATRIOTIC considerations should today dominate our every industrial thought and action. A glance at today's world map, a review of the month's official communiques is evidence enough for anyone of the truth of this statement. And executives may perform no more patriotic act than that of long-term planning, within the spirit and framework of immediate governmental requirements, for the preservation and continuity of their individual businesses.

There are several difficulties to be considered. The first hazard to long-term planning is the risk that every moment given to such activity may be a moment robbed from the immediate task of winning the war. The saying goes, "It is better to win the war and lose the peace than to lose the war."

A second difficulty is the absence of dependable data. The strategy of war properly demands large areas of secrecy and restrictions upon facts which are essential to any logical thought regarding the future. More than this, it is held impossible to prophesy the nature of future governmental dictates which will profoundly affect if not abolish many kinds of industrial activity. What the Government decides will affect the future of the individual establishment far more than any other factor, short of the loss of the war. And nobody but the Government knows what it will do, and the Government quite properly cannot tell.

There is a third danger that any extensive long-term planning runs the risk of becoming the property of the enemy and will by its very clarity offer

sharper targets for their destructive attacks. Indeed, Hitler has already indicated that the vanquishing of our country will not result from invasion but from subversive disintegration within.

A fourth cause for hesitancy is the uncertainty of the war's outcome. Here it is argued that to lose the war renders all plans invalid, while to win the war will cost us unknown amounts of time, effort, and wealth. The extent of these expenditures will in turn dominate our future policies. There is no logic in planning for a future yet unborn. As one astute industrialist has wisely remarked, "I make it a practice never to bid my hand until the cards are dealt."

The last objection to the practice of long-term planning rests upon what is held to be the characteristic ineptitude of executives for such theoretical considerations. Administrators are not trained economists, nor are they seasoned statesmen. It is argued that they should continue their normal pattern of thought and concentrate their attention upon the thin edge of their company's immediate future.

These are strong arguments; and more than this, they are sound. But they are incomplete. Long-term planning should be influenced by them, but not lessened thereby. To give due weight to these factors in formulating any program of industrial foresight is a clear responsibility. How shall we capitalize the fact that executives are normally unused to the techniques of long-term considerations? Here we should remember that there are two ways of dealing with tomorrow.

We may start with the future and move back to the present, or we may start with the present and move forward to the future. The economist and the statesman may properly take some future point known perhaps as "post-war," and on the basis of their conclusions offer suggestions by which the industrialist may approach such a period with some degree of logic and foresight. In exactly the same manner, the industrialist may take the realities which surround him and extend their influence forward into the days and months, and indeed the years, to come. Both processes of thought have their serious limitations; both have their important advantages. Each complements its counterpart; each contributes to the whole of available knowledge.

"To the Outer World"

In other words, within the plant, current managerial planning relating to immediate necessities and difficulties may be supplemented by long-term considerations, thus moving from the present to the future and from within the plant to the outer world. It was Pliny who said, "In endings are beginnings found." Such procedures are but extensions of the administrator's normal activities which employ his characteristic abilities of common sense, judgment, and practical imagination.

Let us have a look at the warning that long-term planning may prove a diffusion of effort which should properly be concentrated upon winning the war. If there is any fundamental in this life of ours it is that consciousness is a series of occasions, which blend imperceptibly into each other; that the present is but the slightest instant bounded on either side by the past and future. It is impossible to deal with the present without taking into account these two inseparable companions.

Nothing would be more conducive to the destruction of business judgment than the advocating of a policy of executive decisions which takes nothing but immediate factors into consideration. The very heart of efficiency in administration lies in the establishment of rhythm, in the development of habit, in the inculcation of "hum." These qualities are a function of time, and to eliminate time from their consideration is to destroy them in the process. Administrators normally draw upon past experience in making current decisions, and they strengthen their judgment equally through consideration of the future effect of contemplated actions. Present business problems always clarify once they are reviewed in the light of time and its trend.

The expression, "winning the war," has an unfortunate connotation of brevity. At no time since this great world struggle began has there ever been a moment when the probability of its short duration has been strong. Who is there to say that to win the war may not require a long-term plan? Here we run great hazard of making our wish the father to our thought.

It is true that war and its outcomes are uncertain; and to win the war will cost us unknown amounts of time, effort, and wealth. Uncertainty is nothing new to the industrialist. He has lived in its atmosphere since the beginning. If it is not the uncertainty of the market, it is the uncertainty of governmental edicts, the uncertainty of material supply, the uncertainty of labor attitude. There is nothing unusual here to his experience; only the nature of the uncertainty has changed.

Sound policy encompasses uncertainty. Let us apply this principle to the spectrum of possibilities which now

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"There are strong arguments against long-term planning, and more than this, they are sound. But they are incomplete. Long-term planning should be influenced by them, but not lessened thereby."

confront this country. Beginning, let us say, with the ultra-violet of our prompt victory on all fronts, we may proceed through the spectrum of slow progress leading to delayed victory; of protracted struggle leading to undeclared peace; of accumulative losses leading to ultimate defeat; and finally to the infra-red of our immediate and decisive loss. There it lies for us.

First let us remember that industry never wins wars. Such efforts only assist in the winning. American business may not accept such responsibility, much as we should like to do so. In our factories and our mills we can only do our best. We will influence the ultimate color chosen in the spectrum but we cannot determine it.

Of greatest importance is the fact that as we review these possibilities, we see that insurance of industrial continuity through long-term planning is necessitous. Whatever may be the war's outcome, it is of first importance that each and every establishment, with all of those dependent upon it, should maintain itself to the uttermost point of strength and vigor, for it is this vitality and ever-present effectiveness which will bring despair to the enemy and resource to the making of a better post-war world, whatever time these accomplishments may require.

If company planning is to encompass war's uncertainty, it must inevitably cover the longest possible period to be involved, for by so doing the plan will include all shorter term proposals. Moreover this kind of long-term planning when competently performed permits industrialists to give less thought to the daily communiques and more attention to ways and means whereby they may continue to do their uttermost, come what may.

We cannot and should not minimize the fact that such planning suffers seriously from the absence of dependable data. This loss is one of the costs of war. Yet the method of basing considerations upon current realities, rather than upon post-war probabilities enables the industrialist at least to begin upon firm ground and to essay only such adventures of thought as his judgment permits. There are a variety of tools which he may use.

For example, when data are unprecise, the degree of variability may often be ascertained, and a band of alternative proposals developed to cover it. Again, it is found possible when proceeding from the present to the future to move forward to "breaking point" beyond which decisions are impracticable. Once these points are determined, however, actions within their boundaries may be released. Uncertainty may also be dealt with through the distribution of risks, a procedure which is well known and needs no further explanation. With such devices, immediate use of such dependable data as are available is possible.

Greatest Difficulty

Certainly the greatest difficulty to be dealt with in this category is the unpredictability of governmental action. In war times, situations dictate and governments must bow. Manufacturers have found that a kind of strategic thinking is possible in dealing with such difficulties. Here company planning is trebled or quadrupled in intensity to the end that varied programs attuned to the range of possibilities in governmental edicts are developed. When national decisions are announced a corresponding program may be released. This type of planning is common in all military activity and we shall see much more of it.

There is no question but that knowledge of long-term plans will bring comfort to the enemy, yet company plans thus developed will be of so flexible and dynamic a nature that they will offer little toward which hostility may be effectively directed. More than this, such thinking will relate to the future activities of individual concerns rather than to whole industries and therefore will yield little to be used as a basis for a general attack against American industry as a whole.

Let us summarize. We shall plan from today forward; we shall begin within the walls of our own plant; we shall conduct "post-war" planning only with the aid of competent economic counsel; we shall aim for decisions that will encompass our uncertainties. For alternative procedures that will quickly respond to national shifts of policy, we shall plan from our present into our future with the knowledge that it is this kind of thinking which will give direction and vigor to today's efforts.

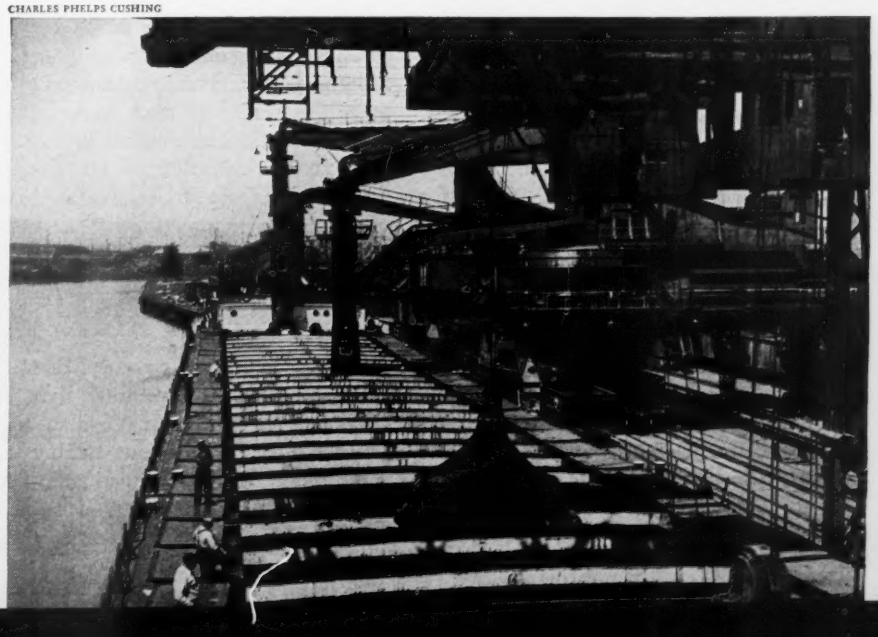
Planning of the type here recommended does not spring from the brain of any single individual. There is no place in this scheme for the Vice-President of the Future, if such a person be viewed as one who relieves the organization of responsibilities in these directions. Organization for long-term planning is in the last analysis, organization for survival. To be effective it must draw upon the talents of all who have a contribution to offer; it must be simple, direct and routine; it must contain an element of permanence and a spirit of continual self-improvement. In short, long-term planning is the new and permanent function which war has caused to emerge in each business.

Fortunately, in its construction and arrangement, we have good precedent to guide us. Most establishments of

(Continued on page 30)

" . . . it is of first importance that each establishment . . . should maintain itself to the uttermost point of strength, for it is this vitality and ever-present effectiveness which will bring despair to the enemy and resource to the making of a better post-war world, whatever time these accomplishments may require."

CHARLES PHELPS CUSHING



LEWIS

THE *Underlying* TREND

SUMMARY: In reflection of increasing controls to husband labor and materials for war requirements business presents a rather spotted picture although in total activity is at record levels. Production has levelled off temporarily as the slackening in civilian production counter-balances rising war output. Trade inventories are declining but remain ample to support the all-time peak in holiday buying. Prices are little changed.

STRICTER alignment of actual production schedules with material supplies is forcing a much sharper distinction between more and less essential war production. Recent reports have emphasized not only changes in future commitments but also cancellations of current contracts as production of airplanes and ships is favored at the expense of heavy ordnance equipment, output of which is already ahead of schedule in many instances.

While effecting some reduction in very heavy backlogs, the cancellations, with some exceptions, had little influence by early December on actual production. Government officials indicated however that increasing cancellations throughout the month would temporarily disrupt activity in some plants during the changeover to more vital products.

War production continued to rise but in November and early December the increase was insufficient to overcome the decline in civilian production and total industrial output failed to improve on the record October rate. However by holding solidly to the all-time peak when seasonal influences indicate a decline at this time, production according to the seasonally adjusted FRB index, advanced from 188 to a new high of 191 in November.

Production of war equipment had reached 60 per cent of planned peaks by December and was estimated by WPB at the turn of the year to be about $7,000,000,000 monthly, an annual rate of $84,000,000,000, four times a year ago. Estimated 1942 production was $55,000,000,000.

In contrast, consumer goods output was about 15 per cent less than at the start of the year (FRB N. Y.) and curtailment was proceeding beyond the stage of conservation of strategic materials to a "minimum civilian need" basis with restrictions designed to save both labor and materials for vital production. In 1942, non-war employment has declined 8,300,000 from a year ago while war employment increased from 7,000,000 to 17,500,000.

Construction Past Peak

The shift in emphasis to immediate war production as against future facilities brought additional curtailment to the war construction program, increasing total construction suspensions by December to somewhere around $2,000,000,000, according to Government officials. With three-fifths of the $28,000,000,000 war construction program completed by the end of October, building had tapered off 7 per cent from the August peak but remained at a record level for any October.

Railroads continued to meet successfully the exceptionally heavy movement of freight with cars loaded more fully than at any previous time in history. Civilian goods industries reported shipments coming through more slowly and were ordering earlier than usual to counteract delivery delays. While railroad requests for additional equipment have been consistently cut back, the carriers, by more efficient use of present equipment, have created additional "effective" capacity.

Speed-ups in repair shops have reduced the percentage of freight cars awaiting repairs to 3 per cent of the total available from 5 per cent in 1941, of locomotives to 6 per cent from 12 per cent in 1941. The railroads have handled one-third more ton-miles of freight than last year with an increase of only 8 per cent in serviceable freight cars and 14 per cent in serviceable locomotives.

Factory, Government Employment Up

Following the pattern of industrial activity non-agricultural employment remained at peak levels. The steady loss of men to the armed services has increased the pressure on an already-tight labor market and less essential employment, like production, has contracted to allow for war expansion.

The increase of 2,500,000 in employment over last year in October was due chiefly to a rise of 1,700,000 to 15,297,000 in manufacturing, and of 1,211,000 to 5,725,000 in civil Government employment (USBLS). Mining and trade employment were smaller than a year ago; transportation, public utilities, finance, and service employment little changed from 1941.

The spottiness induced by the war program evident in production and employment also has had striking effect upon various sections of the country. In 270 industrial areas including all cities with population of over 50,000 labor shortages exist in 102, are anticipated in 77, and labor surpluses are current in 91, WMC reported in December.

More comprehensive evidence of the deep changes wrought by the war program is now available in the preliminary estimates of civilian population changes from 1940 to 1942 made by the U. S. Bureau of the Census for 137 industrial areas listed in the table at the right. While the civilian population of the entire country remained about the same during the period, 42 of these areas lost population and 88 reported gains ranging as high as 39 per cent for Mobile, 35 per cent for San Diego and 33 per cent for Norfolk. In some labor surplus areas of the WMC report the decline in population was as much as 12 per cent.

The influence of these population changes on retail trade is evident in the regional trade indexes and data presented in the next three pages. Retail sales in Pacific, Mountain, and Southern cities are consistently outstanding.

The country as a whole entered December with retail trade at an all-time peak. However, the shift of considerable gift buying to October and November, and the absence of high-priced durable goods from the market was apparent in sales totals which ran closer to 1941 levels than in recent months.

The increase in retail trade over a year ago

Civilian Population Changes in Metropolitan Areas

Percentage Change 1940-1942

These figures are from 1942 population estimates made by the U. S. Bureau of Census on the basis of the number of persons registering for sugar rationing in May 1942. The metropolitan areas are grouped geographically according to the regional trade barometer areas pictured in the map on this page.

1. NEW ENGLAND
Hartford ..... +10.1
New Haven .. + 7.4
Portland ..... + 4.9
Providence ... + 1.6
Springfield ... 0
Fall River .... — 0.3
Boston ..... — 0.4
Worcester .... — 1.8
Manchester ... — 4.8

2. NEW YORK CITY
5. NORTHERN NEW JERSEY
Bridgeport ... + 7.4
New York City — 3.3

3. ALBANY AND SYRACUSE
Albany ..... — 0.4
Syracuse ..... — 2.4
Binghamton .. — 3.6
Utica ..... — 8.4

4. BUFFALO AND ROCHESTER
Buffalo ..... + 1.3
Rochester .... — 3.4

6. PHILADELPHIA
Johnstown ... +11.7
Wilmington .. + 4.5
Harrisburg ... + 2.8
Allentown ... + 2.6
Philadelphia .. + 2.5
Trenton ..... + 2.5
York ..... + 1.1
Lancaster .... — 1.9
Reading ..... — 3.3
Altoona ..... — 5.0
Atlantic City .. — 6.5
Scranton ..... —10.6

7. PITTSBURGH
Erie ..... + 2.2
Charleston ... — 2.0
Youngstown ... — 2.1
Huntington .. — 2.1
Pittsburgh ... — 2.8
Wheeling .... — 4.7

8. CLEVELAND
Canton ..... + 7.2
Akron ..... + 5.6
Cleveland .... + 1.2
Toledo ..... — 3.5

9. CINCINNATI AND COLUMBUS
Dayton ..... +10.2
Cincinnati .... + 6.3
Hamilton .... + 5.8
Columbus .... + 5.4
Springfield ... + 4.2

10. INDIANAPOLIS AND LOUISVILLE
Louisville .... +10.4
Indianapolis .. + 7.4
Fort Wayne ... + 6.5
Evansville ... + 6.3
Terre Haute .. 0

11. CHICAGO
Rockford .... + 8.3
Decatur ..... + 3.5
Chicago ..... + 3.3
South Bend ... + 3.1
Springfield ... — 1.7
Peoria ..... — 4.7

12. DETROIT
Detroit ..... +14.2
Kalamazoo ... + 5.0
Grand Rapids . 0
Flint ..... — 0.4
Saginaw ..... — 0.5
Lansing ..... — 1.5

13. MILWAUKEE
Madison ..... + 3.1
Milwaukee ... — 0.1
Racine ..... — 1.3

14. MINNEAPOLIS AND ST. PAUL
Minneapolis .. — 1.0
Duluth ..... — 5.5

15. IOWA AND NEBRASKA
Davenport ... + 6.6
Omaha ..... + 1.6
Waterloo .... + 1.3
Cedar Rapids .. + 1.1
Des Moines ... + 1.0
Lincoln ..... — 3.0
Sioux City .... — 6.7

16. ST. LOUIS
St. Louis ..... + 6.8
Springfield ... 0

17. KANSAS CITY
Wichita ..... +24.5
Tulsa ..... + 9.3
Kansas City ... + 1.2
Oklahoma City —11.1
St. Joseph .... —11.7
Topeka ..... —12.1

18. MARYLAND AND VIRGINIA
Norfolk ..... +33.2
Washington .. +25.1
Baltimore .... + 4.9
Richmond ... + 4.3
Roanoke ..... — 1.8

19. NORTH AND SOUTH CAROLINA
Charleston ... +24.6
Columbia .... +16.2
Durham ..... + 2.5
Charlotte .... — 2.0
Winston-Salem — 6.3
Asheville .... — 7.3

20. ATLANTA AND BIRMINGHAM
Mobile ..... +33.1
Montgomery .. +29.7
Columbus ... +10.8
Macon ..... + 9.5
Birmingham .. + 9.1
Augusta ..... + 8.5
Chattanooga .. + 8.5
Savannah .... + 8.5
Nashville .... + 6.6
Atlanta ..... + 5.2
Knoxville .... + 5.1

21. FLORIDA
Jacksonville .. +22.9
Tampa ..... + 0.4
Miami ..... — 1.1

22. MEMPHIS
Little Rock ... +12.8
Memphis .... + 0.8

23. NEW ORLEANS
Jackson ..... + 8.4
New Orleans .. + 5.3

24. TEXAS
Corpus Christi .+28.0
San Antonio .. +12.0
Beaumont ... +10.3
Galveston .... +10.0
Dallas ..... + 8.8
El Paso ..... + 7.9
Waco ..... + 6.9
Austin ..... + 5.4
Houston ..... + 4.9
Shreveport ... + 4.7
Fort Worth ... + 4.4
Amarillo .... — 5.6

25. DENVER
Pueblo ..... + 7.2
Denver ..... + 4.2

26. SALT LAKE CITY
Salt Lake City . + 4.3

27. PORTLAND AND SEATTLE
Seattle ..... + 9.1
Tacoma ..... + 5.8
Portland ..... + 3.2
Spokane ..... — 4.3

28. SAN FRANCISCO
San Francisco . + 6.6
Sacramento .. + 4.1
San Jose ..... + 0.6
Fresno 0
Stockton ..... — 2.2

29. LOS ANGELES
San Diego .... +35.1
Los Angeles .. + 4.5
Phoenix 0

was 13 per cent in October, and an estimated 7 to 9 per cent in November. With record Christmas buying spread over the entire fourth quarter, the U. S. Department of Commerce estimates sales for the quarter will be 6 per cent above a year ago, suggesting that December volume will be less than 5 per cent above last year's peak.

Income Shifts Boost Luxury Sales

Holiday sales are characterized by a widespread trend toward buying better merchandise. While practical "duration type" goods continue to be emphasized, sales of luxury goods are increasing considerably in war boom centers in reflection of the important shift in income groups brought about by the war boom.

The movement of family income from the lower to higher income brackets is notable in any boom period, and the changes from the depressed levels of the Middle Thirties when total national income payments amounted to $64,000,000,000, as against an estimated $110,000,000,000 in 1942, are particularly sharp. In contrast to 1935-1936 when 75 per cent of all city families in the United States received an income of less than $2,000 a year, only 45 per cent remained in that class by the first quarter of 1942, according to a USBLS survey. Of these families, 20 per cent were in the $3,000 to $5,000 bracket, as compared with 6 per cent in 1935-1936.

Money income of farm families, which traditionally is lower than urban groups, also showed sharp improvement with the number of families receiving less than $1,000 declining to 50 per cent from 80 per cent in 1935-1936. The "typical" annual family income, based on the first quarter 1942 rate was $1,540, up from $1,070 in 1935-1936; percentage distribution by families of money income is given in the accompanying table.

Net Money-Income Class	1935-36	1942
0 to $500	25	16
$500 to $1,000	28	16
$1,000 to $1,500	20	15
$1,500 to $2,000	11	15
$2,000 to $3,000	10	20
$3,000 to $5,000	4	13
$5,000 and over	2	6
Total	100	100

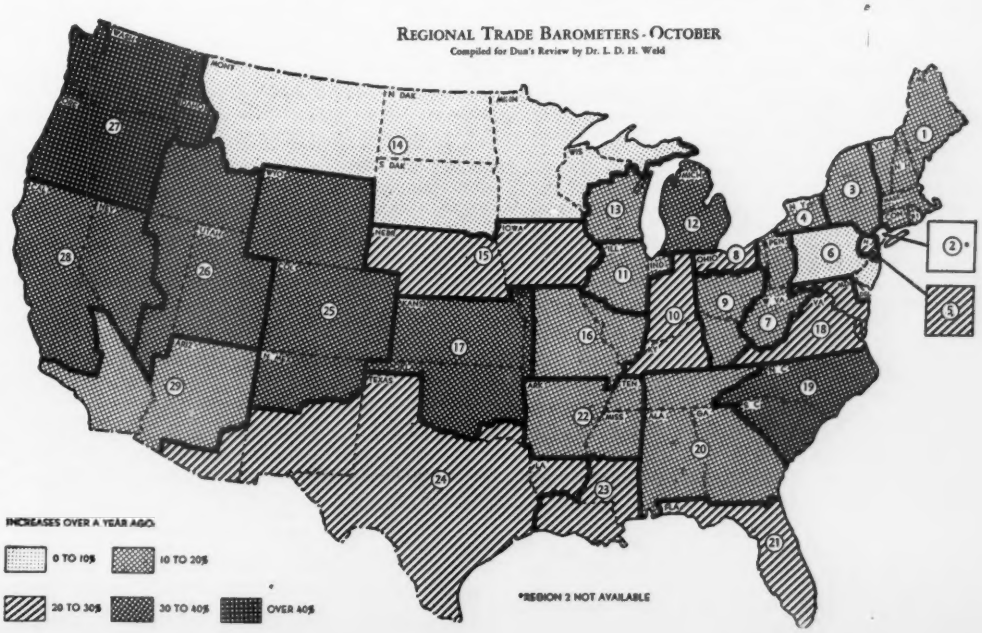
Heavy consumer buying was rapidly drawing down trade inventories, although retail stocks, at the end of November still moderately larger than a year ago, protected the consumer from the scarcities already evident in wholesale inventories. There a drop of about 15 per cent below a year ago reflected the channelling to war purposes of over 50 per cent of total output and 80 per cent of durable goods production.

Adequate merchandise stocks coupled with the steady diversion of income to savings continued to aid in maintaining price stability. Wholesale prices, on average, have not changed since mid-November. The weekly USBLS index at 100.1 on December 5 was highest since 1926 and 8 per cent greater than a year ago. Advances in agricultural and sundry prices at the retail level boosted the cost of living 0.6 per cent in November, 8 per cent higher than 1941 (NICB).

Financial developments were dominated by war demands in December as the record $9,000,000,000 Treasury Victory loan was offered to the public. In the first five days of December over half the total, or $5,586,000,000 was sold, of which 60 per cent came from non-banking sources.

Accompanying the heavy borrowing, open market operations in Federal Securities were largest since October 21 as the central banks purchased Government securities to ease the reserve position of member banks under pressure both from increasing Government holdings and record currency circulation which topped $15,000,000,000 by mid-December. Since October the seasonal increase had boosted money in circulation by $1,000,000,000, but the peak this December surpasses by far the $11,000,000,000 reached in December 1941.

Stock market prices drifted sidewise during the month. The Dow-Jones industrial average closed slightly lower at 115.32 on December 12, compared with 116.46 a month earlier.


Regional Trade Barometers - October
Compiled for Dun's Review by Dr. L. D. H. Weld
Increases over a year ago:
0 to 10%
10 to 20%
20 to 30%
30 to 40%
over 40%
*Region 2 not available

TRADE ACTIVITY—A REGIONAL SUMMARY

1. New England Region

OCT., 101.5 SEPT., 107.7 OCT. 1941, 87.9

UNADJUSTED: OCTOBER, 109.3; SEPTEMBER, 102.5

Barometer gain in year smaller than country increase; decline in month larger than country decrease. NOVEMBER—Boston wholesale trade 8% above last year, Springfield up 3%, Portland steady. Fall fruit crop in New Hampshire best in several years. Manchester, New Haven, Worcester payrolls expand in month; gains of over 25% above 1941 in Boston, Westerly, Bristol, and Newport. Textile mills in New Bedford, Fall River operating on two-shift schedules. Collections frequently better than a year ago. DECEMBER—Retail trade at peak levels in Springfield, Portland, Hartford. Maine Christmas tree cut running substantially below last year.

2. New York Region*

NOVEMBER—Moderate increase over last year in retail trade smaller than gains for the country as a whole. Contra-seasonal activity in apparel manufacturing, output nearly 100% above last year. Industrial payrolls substantially higher than 1941. Employment in retail establishments expands in month; at wholesale below a year ago. Increase in hirings of industrial workers in month in Bridgeport. Retail collections excellent, much better than a year ago. DECEMBER—New York department store sales 5% above last year in first weeks of month. Garment manufacturers busy on Government uniform contracts; small metal making and machine shops receive increased war orders.

*Barometer not available.

3. Albany and Syracuse Region

OCT., 132.4 SEPT., 128.4 OCT. 1941, 115.7

UNADJUSTED: OCTOBER, 140.9; SEPTEMBER, 130.2

Yearly gain in barometer less than country, monthly increase more favorable than nationwide change. NOVEMBER—Wholesale trade 5% below last year in Albany, Syracuse showed gain of 25%. New York State farm income 32% above 1941 in August. Dairy output steady at good levels. Expansion in metal working and opening of new plants lifted industrial employment in month in Utica, Syracuse; 20% above last year in Albany. Collections excellent, frequently improved in month. DECEMBER—Seasonal decline in Gloversville leather glove industry. Expansions and new plant in Binghamton increase employment, payrolls.

4. Buffalo Region

OCT., 122.2 SEPT., 109.6 OCT. 1941, 104.4

UNADJUSTED: OCTOBER, 131.7; SEPTEMBER, 114.5

Barometer improvement in month much better than for country as a whole; year-to-year increase close to country average. NOVEMBER—Buffalo wholesale trade 15% above last year; Rochester 5% below 1941. Poultry, egg production at high levels. Industrial employment increased in month in Buffalo, Niagara Falls, Jamestown; factory payrolls more than one-fifth larger than 1941 in Buffalo, Rochester. Collections steady in month, much improved over a year ago. DECEMBER—Buffalo bank clearings 12% above 1941 in first week of month. Buffalo steel rate holds steady at 105% of theoretical capacity.

5. Northern New Jersey Region

OCT., 112.0 SEPT., 112.4 OCT. 1941, 91.3

UNADJUSTED: OCTOBER, 119.7; SEPTEMBER, 115.2

Barometer made substantial increase over 1941 in month; year-to-year gain better than country change. NOVEMBER—Newark wholesale turnover 20% ahead of a year ago, gain of 5% over previous month. New Jersey farm income 43% above last year in August. Expansion in activity of war industries lifts industrial payrolls well above 1941 in Newark, Paterson; factory employment 10% below last year in Elizabeth. Collections generally better than 1941. DECEMBER—Retail sales at excellent levels above last year in Newark, Perth Amboy, Morristown. Expansion in large Paterson war industry improves hirings in that section.

6. Philadelphia Region

OCT., 107.7 SEPT., 114.8 OCT. 1941, 102.1

UNADJUSTED: OCTOBER, 113.0; SEPTEMBER, 107.1

Barometer increase over a year ago the smallest in the country; decline from last month larger than for country. NOVEMBER—Philadelphia wholesale trade 15% above last year. Some loss in apple crop but output still well above a year ago. Industrial payrolls about 40% above 1941 in Philadelphia, 20% in Trenton, 25% in Williamsport, 20% in Harrisburg; employment off slightly in Scranton, as workers leave for jobs in war centers. Collections better than a year ago. DECEMBER—Sales of taverns and small stores in rural areas of Lehigh Valley section slump below 1941. Philadelphia steel rate at 94% of capacity.

7. Pittsburgh Region

OCT., 120.5 SEPT., 123.5 OCT. 1941, 104.5

UNADJUSTED: OCTOBER, 123.2; SEPTEMBER, 114.4

Barometer decline in month sharper than country drop; year-to-year increase less than country. NOVEMBER—Pittsburgh wholesale sales 12% below last year; Erie up 5%, Charleston 8%. Quality and quantity of tobacco crop compare favorably with last year; auctions begin. Industrial employment slightly above a year ago at record highs in Pittsburgh, up 10% in Erie; West Virginia employment about 3% below 1941. Work-week increased in Pennsylvania coal mines. Collections frequently better than last year, unchanged from last month. DECEMBER—Pittsburgh and Youngstown steel rates hold at 101% of theoretical capacity.

8. Cleveland Region

OCT., 154.0 SEPT., 151.0 OCT. 1941, 123.4

UNADJUSTED: OCTOBER, 147.8; SEPTEMBER, 146.4

Barometer changes in month and year more favorable than for country as a whole; year-to-year increase among best in nation. NOVEMBER—Cleveland wholesale trade steady with a year ago; Toledo up 8%, Akron up 11%. Crop yields in this area equal to or only slightly better than last year. Industrial employment about 15% above 1941 in Canton, Toledo, Cleveland; payrolls over 60% higher than a year ago in Akron. Collections improved over last month in some cases, generally better than last year. DECEMBER—Cleveland steel rate at 97% of capacity, below previous month. Bank clearings 35% above 1941 in Cleveland.

9. Cincinnati and Columbus Region

OCT., 153.4 SEPT., 148.7 OCT. 1941, 130.0

UNADJUSTED: OCTOBER, 150.4; SEPTEMBER, 134.3

Barometer increase over last year same as country change; gain in month better than country average. NOVEMBER—Cincinnati wholesale trade 35% above last year; Columbus off 20%. Columbus farm income about 32% above a year ago. Industrial employment 10 to 20% above 1941 in Columbus, up 10% in Dayton; good payroll gains in Marion, Piqua, Cincinnati, Troy. Collections show improvement over last month; substantially better than last year. DECEMBER—Columbus department store sales 14% above 1941, Cincinnati up 4%. Cincinnati steel mills operating at about 90% of theoretical capacity.

10. Indianapolis and Louisville Region

OCT., 174.5 SEPT., 161.2 OCT. 1941, 141.3

UNADJUSTED: OCTOBER, 178.1; SEPTEMBER, 164.9

Sharp increase over last month lifts barometer to levels well above a year ago; changes much more favorable than for country as a whole. NOVEMBER—Louisville wholesale trade 10% below last year, Indianapolis off 25%. Large potato, cotton crops moving to markets, returns excellent. Livestock marketings 10 to 25% above 1941. Industrial payrolls at all-time high in Indiana, outstanding gains in Fort Wayne, Michigan City; factory employment in Indianapolis contracts slightly in month but still well ahead of last year. DECEMBER—New plant openings and expansions increase employment, payrolls in Louisville.

11. Chicago Region

OCT., 114.3 SEPT., 114.1 OCT. 1941, 99.4

UNADJUSTED: OCTOBER, 117.7; SEPTEMBER, 113.8

Barometer held steady in month; increase over a year ago smaller than gain for country as a whole. NOVEMBER—Chicago wholesale trade 3% above a year ago. Corn harvest indicates record-breaking yield. War plant expansion projects launched during month boost Chicago employment, payrolls. Industrial employment substantially above last year's levels in Rockford, Joliet; factory payrolls about 40% ahead of 1941 in South Bend. Collections generally unchanged in month, steady to better than a year ago. DECEMBER—Retail trade at peak levels in Chicago, Springfield. Chicago steel rate dips slightly to 101%.

12. Detroit Region

OCT., 163.2 SEPT., 167.7 OCT. 1941, 123.6

UNADJUSTED: OCTOBER, 146.9; SEPTEMBER, 164.3

Year-to-year barometer increase one of best in country but decline from last month sharper than nationwide decrease. NOVEMBER—Detroit wholesale trade 5% above last year, Grand Rapids up 10%. Hothouse vegetables good, moving well at high prices. Industrial employment improved in month in Grand Rapids but still below last year; in Detroit up 25 to 30% above 1941. Collections steady with last month but generally improved over a year ago. DECEMBER—Grand Rapids business benefited by preparations for opening of new Army school. Detroit wholesale turnover running ahead of 1941. Steel rate at 105% of capacity, somewhat below November highs.

U. S. and Regional

Seasonally adjusted; 1928-1932=100; compiled

Region	Oct. 1942	Change from Oct. '41 %	Change from Sept. '42 %
U. S.	126.8	+18.2	— 1.2
1. New England	101.5	+15.5	— 5.8
2. New York City	†	†	†
3. Albany, Syracuse	132.4	+14.4	+ 3.1
4. Buffalo, Rochester	122.2	+17.0	+11.5
5. Northern New Jersey	112.0	+22.7	— 0.3
6. Philadelphia	107.7	+ 5.5	— 6.2
7. Pittsburgh	120.5	+15.3	— 2.4
8. Cleveland	154.0	+24.8	+ 2.0
9. Cincinnati, Columbus	153.4	+18.0	+ 3.2
10. Indianapolis, Louisville	174.5	+23.5	+ 8.3
11. Chicago	114.3	+15.0	+ 0.2
12. Detroit	163.2	+32.0	— 2.7
13. Milwaukee	140.0	+19.8	— 2.7
14. Minneapolis, St. Paul	128.8	+ 8.6	+ 4.3

THE BAROMETERS

The barometers are composite indexes of trade activity compiled by Dr. L. D. H. Weld, Director of Research, McCann-Ericson, Inc.; the monthly average for the years 1928-1932 inclusive equals 100. In each paragraph the indexes on the first line are adjusted for seasonal variation; the unadjusted figures are shown on the second line. References in the paragraphs are to the adjusted indexes. A map showing the relative changes in trade by regions as indicated by the barometers is on the preceding page. Indexes may be obtained in advance of their publication in DUN'S REVIEW by special arrangement with the editor.

THE SUMMARIES

The material in the paragraph summaries covers the month of November and the first week of

1. NEW ENGLAND

Bangor	+ 5	— 1
Boston	+12	+ 1
Brockton		+ 5
Burlington		—17
Fall River		+ 2
Hartford	+ 5	+29
Holyoke		+18
Lowell		+13
Lynn		+ 2
Manchester	— 5	— 3
New Bedford	+10	+10
New Haven	—10	+ 4
Portland	+14	+80
Providence	+ 5	+14
Springfield	+10	+21
Waterbury		+ 3
Worcester	+ 5	+ 5

2. NEW YORK CITY

Bridgeport	— 3	
New York City	+ 6*	+6
Stamford		— 1

*Department stores only.

3. ALBANY AND SYRACUSE

Albany	+ 2	—25
Binghamton	+10	+ 3
Poughkeepsie		+ 3
Syracuse	+10	+ 8
Utica	+ 5	+ 6

4. BUFFALO AND ROCHESTER

Buffalo	+12	+16
Elmira	+10	+48
Jamestown		+15
Rochester	+10	+19

5. NORTHERN NEW JERSEY

Jersey City		+13
Montclair		+ 2
Newark	+ 4	+32
Passaic		+ 7

6. PHILADELPHIA

Allentown	0	+ 2
Altoona		—10
Camden		+23
Chester		+21
Harrisburg	+10	+ 8
Hazleton		+ 1
Johnstown		— 7
Lancaster		+ 3
Lebanon		+11
Norristown		+ 2
Philadelphia	+ 2	+ 8
Reading	+ 4	+10
Scranton	— 2	+ 7
Trenton	+11	+ 2
Wilkes-Barre	+ 2	+ 6
Williamsport	+ 5	+41
Wilmington	+10	+ 9
York	+ 8	+14

7. PITTSBURGH

Butler		— 5
Charleston	—10	+45
Erie	+10	+29
Franklin		—13
Greensburg		— 5
Homestead		—23
Huntington	+ 7	+ 5
Oil City		+ 2
Parkersburg		—10
Pittsburgh	+ 2	+15
Sharon		+21
Warren		+18
Wheeling		+ 3
Youngstown	—10	+21

8. CLEVELAND

Akron	+22	+27
Canton	— 5	+13
Cleveland	0	+10
Hamilton		+22
Lima		+46
Lorain		+ 8
Toledo	+12	+15

9. CINCINNATI AND COLUMBUS

Cincinnati	+12	+15
Columbus	+ 6	+ 8
Dayton		+15
Lexington		+ 8
Middletown		— 2
Springfield		+10
Steubenville		— 7
Zanesville		+ 5

10. INDIANAPOLIS AND LOUISVILLE

Evansville	+20	+52
Fort Wayne	+10	+29
Indianapolis	+15	+18
Louisville	+ 5	+ 4
Owensboro		+32
Terre Haute		+22

11. CHICAGO

Aurora		— 6
Bloomington		+31
Champaign-Urbana		+ 4
Chicago	+ 4	+ 9
Danville		+ 6
Decatur		+39
Elgin		+ 7
Gary		+18
Hammond		+ 4
Moline		— 7
Peoria	— 7	+ 4
Rockford	+ 2	+ 7
South Bend	+10	+ 9
Springfield	+ 3	+27

Trade Barometer

for Dun's Review *by Dr. L. D. H. Weld*

Region	Oct. 1942	Change from Oct. '41 %	Change from Sept. '42 %
15. Iowa, Nebraska	120.0	+22.3	— 4.2
16. St. Louis	139.7	+14.0	+19.6
17. Kansas City	135.1	+32.2	+ 0.2
18. Maryland, Virginia	169.0	+21.8	— 0.3
19. North, South Carolina	173.0	+32.2	— 7.2
20. Atlanta, Birmingham	169.9	+19.4	— 6.2
21. Florida	207.5	+28.8	— 0.6
22. Memphis	180.7	+19.5	+10.3
23. New Orleans	135.6	+23.5	— 9.2
24. Texas	163.7	+23.0	— 2.8
25. Denver	163.5	+33.1	+ 1.5
26. Salt Lake City	164.9	+30.6	+ 2.7
27. Portland, Seattle	170.9	+43.5	+ 3.1
28. San Francisco	140.6	+34.3	+ 3.2
29. Los Angeles	125.9	+15.1	+ 1.0

†*Unavailable.*

December. The estimates of trade changes and other reports in the paragraphs are based upon opinions and comments of business men in various lines of trade, gathered and weighed by local Dun & Bradstreet offices. Department store sales figures are from the Federal Reserve Board; payroll and employment figures are from State Labor Departments and the U. S. Bureau of Labor Statistics.

CITY LIST

How trade activity in November compared with that of a year ago is indicated generally for 292 cities throughout the country by these two sets of figures: spot estimates of retail sales (on the left) from local Dun & Bradstreet offices; check transactions (on the right) from bank debits published by the Federal Reserve Board. The figures shown are percentage increases or decreases in November over the comparable month last year.

12. DETROIT

Adrian	+ 9	
Battle Creek	+22	
Bay City	+51	
Detroit	*+10*	+33
Flint	+ 9	
Grand Rapids	+ *5*	— 1
Jackson		+20
Kalamazoo		0
Lansing		+38
Saginaw	+ *5*	+ 9

13. MILWAUKEE

Green Bay	+ *5*	+ 4
Manitowoc		+22
Milwaukee	*+10*	+17
Oshkosh		+ 2
Sheboygan		—12

14. MINNEAPOLIS AND ST. PAUL

Aberdeen		+13
Billings	+ *2*	+ 9
Bismarck		+18
Butte	*—10*	—23
Dickinson		+ 9
Duluth		+11
Eau Claire		+39
Fargo	*0*	+ 6
Grand Forks		+18
Great Falls	+ *5*	+24
Helena		+ 1
Jamestown		+15
La Crosse	— *4*	+ 1
Mankato		— 2
Minneapolis	*+14*	+17
Minot		+ 1
Red Wing		— 2
Rochester		— 6
St. Cloud		— 5
St. Paul	+ *9*	+11
Sioux Falls	+ *7*	+ 9
So. St. Paul		+54
Superior		+42
Winona	+ *8*	

15. IOWA AND NEBRASKA

Cedar Rapids	*+10*	+12
Clinton		+27
Davenport	— *5*	— 4
Des Moines		+ 6
Dubuque	*+10*	+ 3
Fremont		+112
Lincoln	*+12*	+28
Mason City		+ 5
Muscatine		+ 7
Omaha	*+13*	+45
Sioux City	+ *5*	+15
Waterloo	+ *5*	+ 4

16. ST. LOUIS

East St. Louis		+29
Quincy	+ *5*	+10
St. Louis	+ *4*	+11
Sedalia		+22
Springfield	+ *5*	+54

17. KANSAS CITY

Atchison		+31
Bartlesville		— 2
Emporia		+53
Enid		0
Guthrie		+14
Hutchinson		+63
Independence		+71
Joplin		+16
Kansas City	*+15*	+32
Lawrence		+63
Muskogee		+64
Oklahoma City	*+10*	+29
Okmulgee		+12
Pittsburg		+61
St. Joseph	+ *2*	+28
Salina		+77
Topeka		+70
Tulsa		+ 1
Wichita	*+25*	+65

18. MARYLAND AND VIRGINIA

Baltimore		+20
Bristol	+ *5*	
Cumberland		+ 1
Danville		+43
Hagerstown		+ 3
Lynchburg	+ *5*	+ 2
Newport News		+77
Norfolk	*+20*	+30
Portsmouth		+61
Richmond	*+18*	+22
Roanoke	*0*	— 8
Washington	*+17*	+14

19. NORTH AND SOUTH CAROLINA

Asheville	+ *6*	— 2
Charleston	*+14*	+20
Charlotte	+ *5*	+37
Columbia	+ *6*	+ 8
Durham		+31
Greensboro		+ 1
Greenville		+15
Raleigh	+ *5*	—31
Spartanburg		+22
Wilmington	*+25*	+65
Winston-Salem	+ *8*	+11

20. ATLANTA AND BIRMINGHAM

Albany		+ 9
Atlanta	*+10*	+ 4
Augusta	*+20*	— 5
Birmingham	+ *3*	— 1
Brunswick		+151
Chattanooga		+25
Columbus	*+15*	+22
Dothan		+25
Elberton		+30
Knoxville	*+15*	+10
Macon	*+20*	+27
Mobile	*+15*	+51
Montgomery		+10
Nashville	*+10*	+22
Newnan		+28
Savannah	*+12*	+62
Valdosta		—19

(Continued on next page)

BAROMETERS FOR TWENTY-NINE REGIONS

13. Milwaukee Region

OCT., 140.0 SEPT., 143.9 OCT. 1941, 116.9

UNADJUSTED: OCTOBER, 144.2; SEPTEMBER, 143.9

Barometer increase in year slightly better than country change; decline in month less favorable than country. November—Milwaukee wholesale trade 15% ahead of a year ago. Cheese production off in month, below last year. Industrial employment in Wisconsin running about 10% ahead of a year ago, in Milwaukee about one-fifth larger than 1941. Most outstanding factory employment, payroll gains over last year in Madison, Manitowoc, Sturgeon Bay; less favorable comparisons in Janesville, Kenosha. Collections generally improved over a year ago. December—Milwaukee department store sales 18% above 1941 in early month.

14. Minneapolis and St. Paul Region

OCT., 128.8 SEPT., 123.5 OCT. 1941, 118.6

UNADJUSTED: OCTOBER, 137.4; SEPTEMBER, 133.4

Barometer gain in month contrasts with decline in national average; year-to-year increase, however, continues smaller than country. November—Minneapolis wholesale trade 5% above last year, Great Falls steady. Sugar beet, grain harvests excellent; South Dakota corn yield twice as high as 1941; Winter wheat prospects excellent. Employment expands in Butte as mines work seven-day week; off in month in St. Paul; industrial employment over 50% larger than last year in Duluth, Minneapolis. Collections better than a year ago. December—Gas rationing adversely affects retail sales in rural areas and small towns in St. Paul region.

15. Iowa and Nebraska Region

OCT., 120.0 SEPT., 125.2 OCT. 1941, 98.1

UNADJUSTED: OCTOBER, 123.3; SEPTEMBER, 125.9

Barometer gain in year substantially better than countrywide increase but change in month less favorable. November—Wholesale trade 5% above last year in Sioux City, up 5% in Des Moines, 10% in Omaha. Farmers' income from bumper corn and grain crop at record high levels; livestock marketings running 15 to 20% ahead of last year. Industrial employment and payrolls expand in month in Cedar Rapids, Burlington, substantially above 1941; in Davenport and Sioux City unchanged at last year's levels. Collections at a better rate than a year ago. December—First below zero temperatures of Winter hamper retail trade in northern and central Iowa early in month.

16. St. Louis Region

OCT., 139.7 SEPT., 116.8 OCT. 1941, 122.5

UNADJUSTED: OCTOBER, 141.0; SEPTEMBER, 119.6

Barometer gain over last month was the most outstanding in the country but year-to-year increase was less than country change. November—St. Louis wholesale trade 5% above last year. Cash farm income for first three-quarters of this year 35% above 1941 in Illinois, 39% in Missouri. Livestock receipts at St. Louis yards running 15 to 20% ahead of a year ago. St. Louis factory employment approximately 15% higher than last year; below last year in Quincy. Collections moderately improved over a year ago. December—Retail trade in Quincy below last year. St. Louis steel rate holds steady at 108% of capacity.

17. Kansas City Region

OCT., 135.1 SEPT., 134.8 OCT. 1941, 102.2

UNADJUSTED: OCTOBER, 141.5; SEPTEMBER, 140.8

Year-to-year barometer increase one of the country's largest gains; barometer held steady with the preceding month. November—Kansas City wholesale trade 18% above last year, Wichita up 17%, Oklahoma City up 5%. Income from wheat and grain crops excellent; livestock commanding good prices. Yield of cotton crop disappointing. Industrial employment and payrolls in Wichita up further in month; factory employment about 15% below 1941 in Oklahoma City. Collections improved over last year. December—Sales in rural areas below gains in war centers. Cotton picking and ginning 95% completed in western Oklahoma.

18. Maryland and Virginia Region

OCT., 169.0 SEPT., 169.5 OCT. 1941, 138.7

UNADJUSTED: OCTOBER, 184.8; SEPTEMBER, 164.1

Barometer held steady in the month; increase over a year ago somewhat larger than gain for country as a whole. November—Baltimore wholesale trade 11% above last year, Norfolk up 10%, Richmond 15%. Tobacco crop about 20% above 1941, corn up 11%; peanuts damaged by rain. Plant expansions in Baltimore lift industrial payrolls higher, employment 20% ahead of a year ago; Richmond employment steady. Collections frequently better than last month; generally improved over a year ago. December—Opening of burley markets increases payrolls in Richmond and other tobacco centers as workers are hired to process crop.

19. North and South Carolina Region

OCT., 173.0 SEPT., 186.5 OCT. 1941, 130.9

UNADJUSTED: OCTOBER, 203.5; SEPTEMBER, 190.1

Despite a sharp drop from last month's levels barometer gain over last year was among the best in the country. November—Wilmington wholesale trade 22% above last year, Charleston up 10%, Winston-Salem 8%. Rain benefits truck crops; tobacco yield and prices excellent. Columbia cotton mills on three shifts a day, lifting employment and payrolls. Industrial employment expands in the month in Raleigh, Winston-Salem. Collections frequently improved over a year ago. December—Charleston, Wilmington retail trade shows outstanding gains over last year; turnover in Asheville and Charlotte more moderate.

20. Atlanta and Birmingham Region

OCT., 169.9 SEPT., 181.1 OCT. 1941, 142.3

UNADJUSTED: OCTOBER, 190.4; SEPTEMBER, 181.1

Larger than average drop in barometer from preceding month holds year-to-year gain near to country increase. November—Wholesale trade 10% above last year in Atlanta, Nashville, up 12% in Birmingham. Pecan crop largest on record; Winter vegetables progressing satisfactorily. Peak operations in steel and textile mills lift Atlanta industrial payrolls to nearly two-thirds larger than a year ago. Factory employment expands in month in Knoxville, steady in Birmingham. Collections frequently improved in month, generally better than last year. December—Atlanta department store sales 23% above 1941, Nashville up 11%.

21. Florida Region

OCT., 207.5 SEPT., 208.8 OCT. 1941, 161.1

UNADJUSTED: OCTOBER, 189.7; SEPTEMBER, 165.2

Barometer gain over a year ago exceeds countrywide increase by a good margin; slight decline in barometer in month. November—Jacksonville wholesale trade 5% above last year, Miami up 2%; Tampa off 10%. Fall truck crops good, yield excellent, prices high; Florida citrus production running above 1941, oranges up 22%, grapefruit 29%. War activity in small plants holds Miami industrial employment at levels nearly twice as high as 1941; decline in cigar manufacturing in Tampa contracts employment in month. Collections steady to better than a year ago. December—Retail volume hit by curtailed tourist trade in Miami, St. Petersburg.

22. Memphis Region

OCT., 180.7 SEPT., 163.8 OCT. 1941, 151.2

UNADJUSTED: OCTOBER, 220.9; SEPTEMBER, 162.3

Barometer gain over preceding month one of largest in the country; year-to-year increase slightly better than national average. November—Memphis wholesale trade running 9% ahead of a year ago. Harvesting of most crops completed under favorable conditions, rice yield at record levels. Final cotton picking delayed in Arkansas by rains and labor scarcity. Industrial employment in Memphis about 15% above last year; Arkansas payrolls expanded slightly in month, up about 3%. Collections show improvement over last month and last year. December—Memphis department store sales 26% ahead of last year, Little Rock up 37%.

23. New Orleans Region

OCT., 135.6 SEPT., 149.3 OCT. 1941, 109.8

UNADJUSTED: OCTOBER, 151.2; SEPTEMBER, 147.9

Barometer decline in month sharper than country drop; year-to-year increase substantially better than country change. November—Wholesale trade in New Orleans about 15% better than in 1941. Yields of major crops at record levels; rice 28% above last year, sugar cane up 31%. High prices for large crops swell farmers' income in this area. Industrial employment expands in month in New Orleans, about 65% above a year ago; substantial payroll gains over last year in Baton Rouge, Alexandria. Collections unchanged in month and year. December—Production of crude oil in Louisiana 12% below last year in first week of month.

24. Texas Region

OCT., 163.7 SEPT., 168.5 OCT. 1941, 133.1

UNADJUSTED: OCTOBER, 181.7; SEPTEMBER, 175.1

Barometer gain over a year ago better than country but change in month less favorable than nationwide variation. November—Dallas wholesale trade 10% above last year, Fort Worth, Shreveport, El Paso up 15%; San Antonio off 6%, Houston 5%. Condition of Winter grain crops good; cotton yield spotty, in some sections below 1941. Industrial employment nearly one-fifth larger than last year in Texas as a whole; payrolls 45% above 1941 in Fort Worth, 90% in Galveston, 75% in Sherman, 20% in Abilene, and 35% in Austin. Collections better than last year. December—Lumber production slightly above 1941. Crude oil output 7% below last year.

BAROMETERS FOR TWENTY-NINE REGIONS

25. Denver Region

OCT., 163.5 SEPT., 161.1 OCT. 1941, 122.8

UNADJUSTED: OCTOBER, 168.8; SEPTEMBER, 164.5

Outstanding barometer increase over a year ago; small gain from September in contrast to decline for country as a whole. NOVEMBER—Wholesale trade 5% below last year in Denver, Albuquerque. Good harvesting weather benefits sugar beet crop; shipments of fruits and vegetables from Colorado in the first ten months of 1942 were 36% larger than in 1941. Industrial employment shows increase in Denver from last month, nearly twice as high as a year ago. Collections unchanged in month, generally improved over last year. DECEMBER—Salida, Colorado Springs trade adversely affected by closing of gold mines.

26. Salt Lake City Region

OCT., 164.9 SEPT., 160.5 OCT. 1941, 126.3

UNADJUSTED: OCTOBER, 170.1; SEPTEMBER, 163.6

Barometer shows good increase over a year ago, better than gain for country; slight rise from a month ago. NOVEMBER—Salt Lake City wholesale trade 5% below last year, steady in month. Sugar beet harvest later than normal but yield well above a year ago. Industrial payrolls at all-time highs in Las Vegas, Provo; employment steady in month in Salt Lake City but two and one-half times as large as last year. Collections better than 1941, unchanged from last month. DECEMBER—Salt Lake City department store sales running 27% ahead of a year ago in first week of month.

27. Portland and Seattle Region

OCT., 170.9 SEPT., 165.7 OCT. 1941, 119.1

UNADJUSTED: OCTOBER, 180.2; SEPTEMBER, 174.4

Excellent barometer increase over a year ago is largest in country; gain over September in contrast to drop for country. NOVEMBER—Wholesale trade 38% above last year in Portland, 10% in Seattle, 18% in Spokane, 20% in Tacoma. Crop harvests generally completed; yields satisfactory. Capacity operations in shipyards, machine shops, foundries hold industrial payrolls at high levels; employment double a year ago in Portland, Tacoma. Collections better than last year. DECEMBER—Factory expansion and opening of large new plant spur employment in Spokane. Lumber mills continue to operate at below capacity levels.

28. San Francisco Region

OCT., 140.6 SEPT., 136.3 OCT. 1941, 104.7

UNADJUSTED: OCTOBER, 142.5; SEPTEMBER, 136.2

Barometer gains in year and month among the most outstanding increases in the country. NOVEMBER—San Francisco wholesale trade running about 12% above a year ago. Fresno up 5%; Sacramento off 20%. Peach pack 22% larger than last year; pack in most crops good and generally well contracted for. Cotton picking delayed by rains in Fresno area. Industrial employment in San Francisco 75% above 1941; employment off in month in Sacramento as canneries close. Collections in all lines at better levels than a year ago. DECEMBER—Bank clearings 37% above a year ago in San Francisco in early part of month.

29. Los Angeles Region

OCT., 125.9 SEPT., 124.7 OCT. 1941, 109.4

UNADJUSTED: OCTOBER, 125.3; SEPTEMBER, 123.3

Year-to-year barometer increase smaller than countrywide gain but change in month more favorable than for country. NOVEMBER—Los Angeles wholesale turnover 5% ahead of last year. Pastures good, livestock condition satisfactory. Bumper crops of grapefruit, walnuts, and tangerines in southern California. Arizona citrus crop 6% above 1941. Factory employment and payrolls at all-time high in San Diego; employment about 80% above last year in Los Angeles. Collections better than 1941. DECEMBER—Los Angeles retail trade running 15 to 20% ahead of a year ago in early part of month.

How trade activity in November compared with that of a year ago is indicated generally by the figures below. Percentage changes are for retail trade estimates (on the left) and check transactions (on the right).

21. FLORIDA

Jacksonville	+ 8	+23
Miami	— 4	+10
Pensacola		+41
Tampa	+20	+47

22. MEMPHIS

El Dorado		+40
Fort Smith		+13
Greenville		+10
Helena		+29
Little Rock	+17	+41
Memphis	+20	+11
Pine Bluff		+76
Texarkana		—26

23. NEW ORLEANS

Hattiesburg		+ 9
Jackson	+ 2	+78
Meridian		—15
New Orleans	+15	+28
Vicksburg		+52

24. TEXAS

Abilene		+13
Amarillo		+29
Austin	+17	+77
Beaumont	+20	+43
Corsicana		+24
Dallas	+15	+12
El Paso	+10	+27
Fort Worth	+20	+30
Galveston	+20	+ 9
Houston	0	+23
Lubbock	+35	
Port Arthur		+38
Roswell		+25
San Antonio	+12	+18
Shreveport	+10	+ 7
Texarkana		+ 5
Tucson		+46
Tyler		+ 3
Waco	+20	+42
Wichita Falls	+ 5	— 3

25. DENVER

Albuquerque	— 8	+19
Casper		+ 3
Cheyenne		+18
Colorado Springs		+57
Denver	+5	+31
Grand Junction		+21
Pueblo		+40

26. SALT LAKE CITY

Boise		+27
Ogden		+70
Salt Lake City	+15	+19

27. PORTLAND AND SEATTLE

Bellingham		+ 3
Eugene		+20
Everett		+24
Portland	+30	+51
Salem		+15
Seattle	+20	+37
Spokane	+10	+61
Tacoma	+20	+61
Walla Walla		+29
Yakima		+21

28. SAN FRANCISCO

Bakersfield		— 4
Berkeley		+ 8
Fresno	+6	—4
Oakland		+71
Reno		+48
Sacramento	+ 7	+33
San Francisco	+20	+18
San Jose		+31
Santa Rosa		+19
Stockton		+23

29. LOS ANGELES

Long Beach		+40
Los Angeles	+12	+10
Pasadena		— 6
Phoenix	+10	+32
Riverside		+15
San Bernardino		+ 4
San Diego		+109
Santa Barbara		— 2

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review." Back figures available upon request.

Wholesale Food Price Index

The Index is the sum of the wholesale price per pound of 31 commodities in general use.

1943		1942	
Jan. 5	$4.04	Jan. 6	$3.45
1942		**1941**	
Dec. 29	$4.02	Dec. 30	$3.43
Dec. 22	4.02	Dec. 23	3.42
Dec. 15	4.00	Dec. 16	3.39
Dec. 8	3.97	Dec. 9	3.37
Dec. 1	3.96	Dec. 2	3.33
Nov. 24	3.95	Nov. 25	3.34
Nov. 17	3.94	Nov. 18	3.32
Nov. 10	3.94	Nov. 11	3.31
Nov. 3	3.92	Nov. 4	3.28
Oct. 27	3.91	Oct. 28	3.28
Oct. 20	3.91	Oct. 21	3.26
Oct. 13	3.87	Oct. 14	3.29
Oct. 6	3.88	Oct. 7	3.32
Sept. 29	3.86	Sept. 30	3.34
Sept. 22	3.84	Sept. 23	3.33
Sept. 15	3.82	Sept. 16	3.33
Sept. 8	3.81	Sept. 9	3.34
Sept. 1	3.81	Sept. 2	3.28
Aug. 25	3.80	Aug. 26	3.26
Aug. 18	3.78	Aug. 19	3.21
Aug. 11	3.76	Aug. 12	3.21
Aug. 4	3.74	Aug. 5	3.19
July 28	3.72	July 29	3.16
July 21	3.71	July 22	3.16
July 14	3.69	July 15	3.09
July 7	3.68	July 8	3.09
June 30	3.68	July 1	3.06
June 23	3.66	June 24	3.08

	HIGH			LOW	
1942	Dec. 22	$4.02	Jan. 6		$3.45
1941	Dec. 30	3.43	Jan. 7		2.50
1940	Dec. 10	2.49	June 18		2.18
1939	Sept. 19	2.46	Aug. 15		2.13
1937	Mar. 16	3.01	Dec. 28		2.56
1933	July 18	2.08	Jan. 31		1.49
1929	Feb. 28	3.52	Dec. 12		3.11
1920	Jan. 8	5.24	Dec. 30		3.47
1919	July 31	5.30	Feb. 13		4.58

Building Permit Values—215 Cities

	Nov. 1942	Nov. 1941	% Change	Oct. 1942	% Change
New England	$1,838,887	$5,811,730	—68.4	$3,956,000	—53.5
Middle Atlantic	6,921,572	11,829,203	—41.5	6,039,398	+14.6
South Atlantic	3,003,521	8,123,600	—63.0	3,714,067	—19.1
East Central	11,638,878	19,453,504	—40.2	14,051,104	—17.2
South Central	3,075,954	13,610,609	—77.4	3,260,166	— 5.7
West Central	2,380,145	4,321,029	—44.9	1,284,932	+85.2
Mountain	521,564	2,435,577	—78.6	552,301	— 5.6
Pacific	5,078,503	26,697,833	—81.0	11,849,753	—57.1
Total U. S.	$34,459,024	$92,283,085	—62.7	$44,707,721	—22.9
New York City	$865,399	$5,382,568	—83.9	$1,502,310	—42.4
Outside N. Y. C.	$33,593,625	$86,900,517	—61.3	$43,205,411	—22.2

Bank Clearings for Individual Cities

(Thousands of dollars)

	Nov. 1942	Nov. 1941	% Change	Oct. 1942	% Change
Boston	1,416,186	1,294,867	+ 9.4	1,548,271	— 8.5
Philadelphia	2,292,000	2,223,000	+31.0	2,501,000	— 8.4
Buffalo	218,600	195,671	+11.7	237,700	— 8.0
Pittsburgh	907,510	772,593	+17.5	1,048,299	—13.4
Cleveland	768,498	676,287	+13.6	862,977	—10.9
Cincinnati	389,215	361,757	+ 7.6	437,384	—11.0
Baltimore	521,002	456,289	+14.2	624,591	—16.6
Richmond	301,332	247,976	+21.5	371,270	—18.8
Atlanta	488,554	415,500	+17.6	540,700	— 9.6
New Orleans	318,585	243,785	+30.7	352,654	— 9.7
Chicago	1,671,481	1,714,254	— 2.5	1,873,118	—10.8
Detroit	1,241,882	770,566	+61.2	1,296,173	— 4.2
St. Louis	609,152	534,631	+13.9	684,699	—11.0
Louisville	249,463	239,492	+ 4.2	281,251	—11.3
Minneapolis	480,537	406,777	+18.1	539,051	—10.9
Kansas City	683,575	526,744	+29.8	763,299	—10.4
Omaha	254,512	170,611	+49.2	263,361	— 3.4
Denver	217,769	184,799	+17.8	235,728	— 7.6
Dallas	395,513	343,547	+15.1	454,363	—13.0
Houston	348,427	289,290	+20.4	371,729	— 6.3
San Francisco	1,007,580	834,999	+20.7	1,062,837	— 5.2
Portland, Ore.	305,829	259,584	+17.8	336,559	— 9.1
Seattle	330,797	259,368	+27.5	387,938	—14.7
Total 23 Cities	15,417,999	13,422,387	+14.9	17,074,952	— 9.7
New York	15,124,434	15,199,268	— 0.5	17,357,060	—12.9
Total 24 Cities	30,542,433	28,621,655	+ 6.7	34,432,012	—11.3
Daily Average	1,388,292	1,300,984	+ 6.7	1,324,308	+ 4.8

Daily Wholesale Price Index

(1930-1932 = 100)

The Index is prepared from the spot closing prices of 30 basic commodities.

	1943	1942		
	Jan.	Dec.	Nov.	Oct.
1	*	161.11	†	161.45
2	166.61	161.96	159.68	161.34
3	†	162.11	*	161.26
4	167.22	162.20	159.91	†
5	167.23	162.50	160.60	160.73
6		†	160.61	160.65
7		162.66	160.70	160.65
8		162.71	†	160.86
9		162.75	160.91	160.44
10		163.16	160.46	159.82
11		163.37	*	†
12		163.61	160.57	*
13		†	160.45	159.91
14		164.10	160.54	160.13
15		164.40	†	159.98
16		164.38	160.46	159.80
17		164.74	160.10	159.79
18		165.07	160.02	†
19		165.17	160.24	159.58
20		†	160.16	159.82
21		165.25	160.12	159.98
22		165.58	†	159.75
23		165.39	159.75	159.64
24		165.40	160.08	159.70
25		*	160.56	†
26		165.66	*	159.77
27		†	160.45	159.68
28		165.90	160.68	159.78
29		165.78	†	159.41
30		166.02	160.55	159.68
31		166.01		159.68

† Sunday. * Market closed.

	HIGH			LOW	
1943	167.23	Jan. 5		166.61	Jan. 2
1942	166.02	Dec. 30		151.54	Jan. 2
1941	150.54	Dec. 12		123.03	Feb. 17
1940	124.84	Dec. 31		112.42	Aug. 19

FAILURES DECLINE TO NEW LOW

FAILURE statistics continue to contradict the popular impression that war-time shortages and difficulties are increasing business mortality. The figures for November 1942 were not only below those of the preceding month and those of the same month last year; they were also the lowest for any November on record except those of 1919 and 1920.

The Insolvency Index (which relates the number of failures to the number of concerns apparently in business) also declined in November 1942 and, after adjustment for seasonal variation, was at the lowest level ever reached in the forty-two years for which it has been calculated.

Summary: All main industry groups except construction shared in the November drop. The change, however, was slight in the case of manufacturing. The decline likewise extended to failures of all sizes, with a drop particularly marked among substantial concerns with debts of $25,000 or more. This movement was in contrast with last month, when failures were up in all size categories except the very small. There were only four large failures, compared with eight last month and a year ago. All were manufacturers, and covered woolens, precision tools, mantels and fireplaces, and mining products.

Geographically, the October upturn was continued on a daily basis in the New York, Boston, Cleveland, and San Francisco areas, but downtrends in other districts, principally the South Atlantic States, and the Chicago, Minneapolis, and Dallas districts, caused the total number of failures to recede. City failures were down more sharply than others, but they still accounted for more than half the entire number.

Manufacturing: A change in manufacturing failures from 102 in October to 98 in November represented some increase on a daily basis, but the rise did not measure up to the usual November upturn, and the general level of manufacturing failures remained low. Decreases in textile products, and foods, following increases last month, and a continued drop in iron, steel, and machinery products combined, held the total down, despite increases among printing concerns and in lumber products.

Manufacturing failures were some 40 per cent fewer than in November of last year, and were particularly low in food, textile, and chemical lines. Among printers and manufacturers of lumber products, failures were as numerous as last November.

Only in the New York, Philadelphia, and San Francisco districts did manufacturing failures tend to show the usual November rise. In other districts, especially Chicago, there was either a decrease or little change.

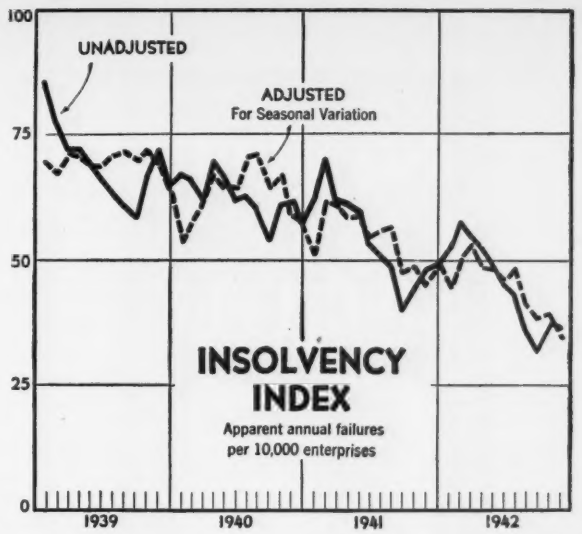
Retail Trade: Retail trade failures continued their steady downward course with a decline in November to 352 cases from 405 in October, a drop which on an adjusted daily basis amounted to 13 per cent. Among food stores and restaurants, and in the automotive group there was little change from October, and general merchandise failures were up somewhat. In all other lines, however, there was a well marked falling off to what was, in many cases a new low for the year. There was quite an improvement in the situation among drug stores, with failures below the average level of previous months. In the Central Western districts of Cleveland, St. Louis, and Kansas City, there was a rising movement among retail failures, contrary to a downturn movement in the remainder of the country.

Retail failures as a whole were only two-thirds as numerous as a year ago. Particularly in apparel shops, and in the hardware and automotive groups were failures comparatively low at the present time. In the two latter lines, definitely shortage lines, the situation probably reflects fewer concerns going into business.

Other Groups: Both wholesale trade and commercial service failures receded after sharp increases in October, although there were trades here and there in both groups, namely in food lines and among laundries and dry cleaning establishments, where increases occurred.

Construction failures continued high and were more numerous than in November 1941.

The seasonal Fall increase continued in Canada, although the level was considerably lower than a year ago. Failures numbered 56 compared with 47 in October and 80 a year ago. Liabilities amounted to $440,000 against $2,415,000 last month and $539,000 in November of last year.



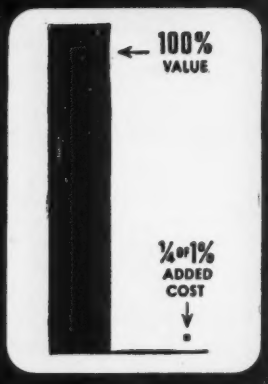
	Nov. 1942	Oct. 1942	Nov. 1941	Per Cent Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	36.4	36.9	48.4	−25
Adjusted, seasonally	34.7	39.7	46.1	−25
NUMBER OF FAILURES	585	673	842	−31
NUMBER BY SIZE OF DEBT				
Under $5,000	319	359	467	−32
$5,000–$25,000	228	257	308	−26
$25,000–$100,000	34	49	58	−41
$100,000 and over	4	8	9	−56
		(Liabilities in thousands)		
CURRENT LIABILITIES	$5,245	$7,181	$9,197	−43
TOTAL LIABILITIES	5,345	7,881	10,514	−49

* Apparent annual failures per 10,000 enterprises.
More detailed figures in DUN'S STATISTICAL REVIEW.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number Nov. 1942	Number Nov. 1941	Liabilities Nov. 1942	Liabilities Nov. 1941
MINING, MANUFACTURING	98	167	1,823	3,827
Mining—Coal, Oil, Miscellaneous	4	4	198	328
Food and Kindred Products	10	39	176	763
Textile Mill Products, Apparel	16	33	467	528
Lumber, Lumber Products	18	19	185	366
Paper, Printing, Publishing	16	15	132	562
Chemicals and Allied Products	5	15	64	226
Leather, Leather Products	2	5	49	63
Stone, Clay, Glass Products	3	3	62	83
Iron and Steel, and Products	5	1	297	84
Machinery	2	7	12	203
Transportation Equipment	2	2	17	56
Miscellaneous	15	24	164	565
WHOLESALE TRADE	45	57	429	832
Food and Farm Products	21	23	198	216
Apparel	1	4	4	192
Dry Goods	1	1	2	20
Lumber, Bldg. Mats., Hardware	3	6	39	201
Chemicals and Drugs	2	2	4	5
Motor Vehicles, Equipment	..	4	..	55
Miscellaneous	17	17	182	143
RETAIL TRADE	352	529	2,009	3,472
Food and Liquor	122	181	607	757
General Merchandise	12	17	58	78
Apparel and Accessories	33	57	218	399
Furniture, Home Furnishings	19	27	98	306
Lumber, Bldg. Mats., Hardware	11	22	63	265
Automotive Group	25	45	112	231
Eating and Drinking Places	77	92	561	782
Drug Stores	22	42	133	355
Miscellaneous	31	46	159	299
CONSTRUCTION	63	51	717	618
General Building Contractors	21	12	457	340
Building Sub-contractors	41	37	250	230
Other Contractors	1	2	10	48
COMMERCIAL SERVICE	27	38	267	448
Highway Transportation	10	4	117	25
Miscellaneous Public Services	..	..	..	..
Hotels	..	1	..	24
Cleaning, Dyeing, Repairing	4	4	21	21
Laundries	6	7	83	245
Undertakers	1	2	11	13
Other Personal Services	..	8	..	80
Business and Repair Services	6	12	35	40

SO MUCH
FOR
SO LITTLE



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100% New White Linen & Cotton Fibres
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GREYLOCK LINEN LEDGER
75% New Cotton Fibres
ESCORT LEDGER & MACHINE POSTING
50% New Cotton Fibres

*Permanent Grades

HERE *and* THERE *in* BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Plastic Pipes—More than satisfactory substitutes for nickel, stainless steel, brasses, copper, and glass are the plastic process tubings now made by modified extrusion processes by several companies. They are tough, light weight, and flexible, and show a high resistance to abrasion and chemicals. In general they may be obtained on a lower priority rating than the metal tubings they might well replace—at least now.

Dow Chemical Company makes Saran; United States Stoneware, Tygon, and Resistoflex Corporation makes Resistoflex. Possible process industry uses for these tubings appear numerous and many more are indicated despite present small size limitations. The Federal Electric Company is making a three-inch tubing to replace steel pipe in oil field operations.

White-Out—Dark walls, floors, ceilings, machinery, desks, and stock all absorb light, kill it, causing accidents, slowing down production, contributing to employee morbidity, and increasing the consumption of badly needed electric energy. Light either reflects from surfaces or it is absorbed, "withdrawn from circulation." To help reflect it Truscon Laboratories, Inc., produces White-Out. The company says experiments show that whiting-out ceilings alone improve light utilization in a room around 30 per cent. When applied to ceilings and walls above the dado one company could substitute 300-watt lamps for 500 watts, and still get more efficient illumination.

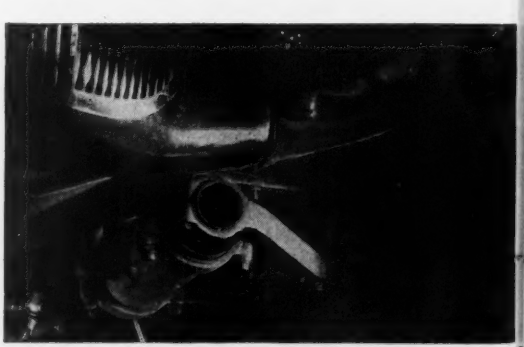
Electronic "Oscar"—He is now employed in the standardization, control, and development of paints for war purposes, but come the peace and Virginia Granville, assistant color technologist of the Interchemical Corporation in New York City, sees him in a less masculine rôle.

What is "Oscar" to Mrs. Granville is a photoelectric spectrophotometer produced by General Electric engineers that measures the reflectance or transmittance for wave lengths in the visible spectrum, recording its findings in the shape of a curve on graph paper. Using this curve rather than his eyes, a scientist can match colors exactly. The machine has already found a limited use with cosmeticians.

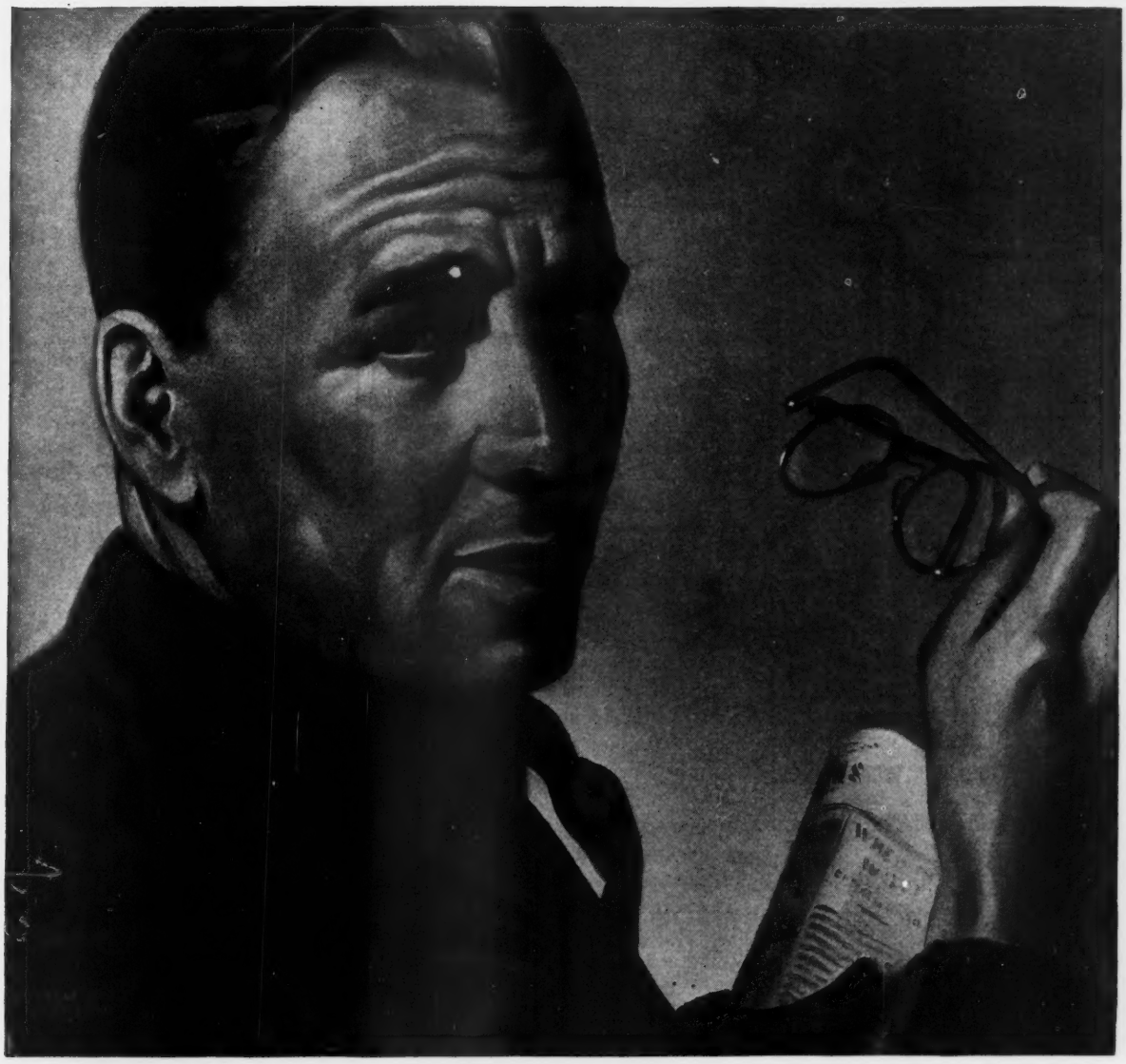
Preserving Records—Any precautions taken now to protect records will be of permanent and practical value, because fire, whether air-borne or accidental, is the greatest single threat to vital records. But before a comprehensive plan for protection can be formulated it is necessary to know the kinds involved, their volume by class, their use, and present protection.

A practical procedure for this survey and classification is given in "Air Raid Protection for Valuable Records," based on a report by the Committee on Protection of Records of the National Fire Protection Association. Copies may be obtained from Byron Weston Company, Dalton, Mass.

Rubber Spring—A curiosity, part of the world of tomorrow at the World's Fair in New York two years ago, the torsional automobile spring has broken out of its showcase for combat duty, providing a superior springing system for certain amphibian vehicles. Speaking of the evolution of new mechanical applications of rubber, J. D. Beebe of the B. F. Goodrich Company says "there is no rubber available now for any but the most sober and essential



TWISTING MOVEMENT—*The torsional rubber spring is simply a steel cylinder and shaft, with the space between cylinder wall and shaft filled with rubber. Either the shaft or cylinder is held in fixed position, and the other member is connected to the wheels by arms. All the springing comes from twisting movement in the rubber.*



Now, Here's A REAL Dictator!

WHEN it comes to dictating, the great American consumer has them all beaten! As far as he's concerned, getting the best is very simple.

You just ask for it!

But supplying the best is not a simple matter for the manufacturers on whom this great dictator is casting his shadow—especially in the case of the new products he is expecting as soon as peace is declared.

Automobiles at half the cost, that go twice as far to the gallon! Houses that cost no more than a good car, but with all the conveniences of a palace! Household equipment that will be compact and indestructible! Air conditioning, radiant heating, television, electronic household controls...

And priced so that the average American can afford all of them!

American industrial ingenuity *will* give the consumer what he wants. But it will take revolutionary practices. And often the use of apparently fantastic materials.

Of course the war has brought about the eager testing of every material that research and metallurgy could devise. And many of these substitutes have earned a definite place in the field of metallurgy.

But which material? Under what circumstances? For which specific application?

Revere can help answer many of the questions that beset industry. For just as industry in the future will not be restricted to the traditional materials, neither will Revere. Since the war started, in addition to widening still further the uses for copper and its alloys, Revere has gained wide experience with the light metals, and has developed wholly new kinds of alloys with important properties that can cut manufacturing costs for many industries.

With this great expansion in the range of Revere metals, you can be sure of singularly impartial service from Revere. Today, the copper industry is working all-out for Uncle Sam. No copper is available except for winning the war. But post-war planners with specific problems in metals are referred directly to the Revere Executive Offices in New York.

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"THE NAME THAT CARRIES WEIGHT"
WAR-PRODUCTION HANDLING EQUIPMENT
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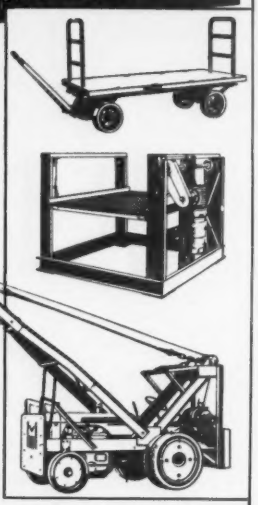
These Mercer-engineered and Mercer-built units are but a few of the many types of material handling equipment designed and constructed by us to meet specific industrial problems. Our engineering facilities are at your service!
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TO REACH PRESIDENTS OF WAR CONTRACTORS

A LIST of War Department contractors shows 554 companies with orders for one million dollars or more. DUN'S REVIEW reaches 596 executives in 402 (70.7%) of these companies: Presidents, 297; Chairmen, 12; Vice-Presidents, 49; Treasurers, 33; Secretaries, 26; General Managers, 15; Others, 164; Total: 596.

HAMMER'S MODERN SUCCESSOR

The HANSCO TACKER
FOR the first time in tack history!—here's a device that holds, dispenses and drives tacks—in one convenient, rapid, automatic operation. It's the Hansen One-Hand Automatic TACK Tacker.
Self-contained—automatic—holding a long strip of T-head Tacks and driving them as fast as you grip—the Hansen Tack-Tacker permits holding material with one hand and driving with other.
For fast, precision driving—on production work of all kinds requiring tacking or fastening—here's the latest, most efficient device imaginable! Drives T-head Tacks in four lengths—3/16", 1/4", 3/8" and 1/2". *Investigate!*
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experimental work—work that gives promise of fairly immediate results of value to the war drive."

Yesterday constructed "one at a time," today the rubber-in-torsion spring is a standard item of factory production now running into thousands of units. And tomorrow? Says Mr. Beebe: "We are as sure as one can be of anything these days about future industrial developments, that when this kind of equipment can once more be made available, a great many automotive vehicles will be equipped with it." Test automobiles have run more than 70,000 miles on such springs without their even needing adjustment.

Read on the Run—Now thousands of dollars and thousands of vital man-hours will be saved by a gage developed by Willys-Overland Motors. The three-pronged instrument fits into the cavity of a rough shell forging and predetermines mathematically the weight of the finished shell, thus enabling workers to nose the projectile so that the finished product will comply with rigid army specifications. In producing more than a million 155 mm. shells turndowns were virtually eliminated. . . . Celanese Corporation of America's synthetic textile filament "Fortisan" weighs only one-eighth of the finest silk filament and a 20,000 mile strand of it weighs only a pound. . . . Rated 800,000,000 candlepower each, General Electric's 60-inch searchlight is so powerful it is possible to read newsprint by its light at a distance of twelve miles on some nights.

Color Code—WPB and National Machine Tool Builders' Association have requested an American War Standard Color Code for lubricants from the American Standard Association. The two bodies agree that the number of inexperienced workers has measurably increased the need for such a standard.

A maintenance man putting grease into the spindle-bearing of a grinding machine, instead of the fine oil needed, can do enough damage to keep the machine idle for months. With a standard color code, for example, the oil cap on the spindle-bearing of a grinding machine might be painted red, with the same color marking the container holding spindle oil.

You can't let well enough alone in a war economy

Alert business men keep their staffs ever mindful of the inevitable return of the buyer's market.

Leading manufacturers and distributors insist that their salesmen carry the

Dun & Bradstreet January 1943 State Pocket Edition

It lists the best outlets, the new enterprises, and indicates accounts most likely to survive the fortunes of a war economy. More necessary now than ever—when better planning of travelling schedules is imperative.

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Wanted: MORE EXECUTIVES!

To help win the war!... and the peace to follow!

Every great crisis produces new leaders. This war is no exception! It has created as great a crisis for business as for our nation, and new leaders are rising to the top every day.

Right now, companies are searching high and low for men of executive ability and training to manage the different departments in new and expanded plants. The war and its demands for production, and *more* production, has thinned the ranks of executives to the danger point. The country needs men of executive ability just as it needs production workers and men for the armed forces.

Where will it find them? Ordinarily there would be enough "officer material" right in the ranks... men who had been learning by experience, slowly but steadily advancing in the companies which employed them. That is one way of doing it—the hard way, the slow way. But now time is pressing. Such men are needed not two years from now, but *today* and *tomorrow!* Where will they come from? Those men will have to be trained, *and the smart ones will train themselves—now!*

How can they do that? Through the Alexander Hamilton Institute's intensive Course of Executive Training.

Intensive Executive Training can help you

This executive training, which is described in a book called "FORGING AHEAD IN BUSINESS," can help you to accomplish in months what would otherwise take years—if you could get it at all. It is valuable to men in different lines of business because it covers the fundamentals of *all* business—production, marketing, finance and accounting. It is equally effective for the college graduate or the business man who only finished grammar school.

More than 400,000 men have enrolled for this training and every day reports come in of their promotions, salary increases, new and better-paying positions.

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The facts about this executive training are given in the book "FORGING AHEAD IN BUSINESS." This 64-page book has inspired thousands of men. Many say it started them on the road to real business success.

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In view of broad legislation concerning business, and regulations made by governmental agencies and bodies, no executive supervising the preservation of his concern's records should be without it.

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SERVING AMERICAN HOME OWNERS

IN THIS period of war emergency, when American families must carefully guard the value of their homes and keep them from "running down," Celotex is performing an outstanding service.

Celotex Triple Seal Roofing Products are available for roof repairs and roof replacements.

Celotex Insulation Materials can save precious fuel—cut fuel costs as much as 40%.

Celotex Gypsum Products—Wallboard and Plaster—are available for repair and remodeling work.

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LATH—PLASTER—ACOUSTICAL PRODUCTS

LONG-TERM COMPANY PLANNING

(Continued from page 19)

any moment in this country have already instituted systems of budgetary control. Here is a kind of short-term planning with emphasis upon financial schedules. In many organizations it will be found possible to take the budgetary control personnel structure and to use it for more extended purposes.

Even as the war has reduced the length of the budgetary control period in many concerns because of the uncertainty dependent upon such detailed planning, so the war forces these same establishments further to outreach into the future in terms of less exact if no less practical considerations. The same organization may well be asked to serve both these purposes.

What shall be the task of such persons? Returning to first principles, it is clear that unless their point of view is one of search for constant improvement they are not fulfilling their patriotic obligations, for it is only such a viewpoint which will enable industry to do its part in winning the war. This conflict will be resolved in our favor only by ever improving and strengthening our fighting power. Such a viewpoint requires constant nourishment in the form of information; constant stimulation and self-discipline in the form of required periodical reports. Planning of this nature is a continuous operation and is never concluded.

Six-Point Program

A program incorporating such activities for any given division of the business might well incorporate (a) an analysis of pre-war activities, (b) a comparison of past and present situations, (c) the defining of current problems requiring attention or decision, (d) a statement of the immediate future outlook, (e) a statement of current and future trends insofar as they are reasonably predictable, and (f) the definition of long-term policy best fitted to encompass future uncertainties and to insure continuity of operation.

In controlling the procedure of long-term planning, it is necessary to adopt a schedule for the periodic examination and review of reports on each element. Where such a program is tied in with budgetary control these reports may be timed to coincide with other periodical budgetary recommendations.

For example, it will be desirable periodically to co-ordinate and summarize these individual reports for the company as a whole. This activity may occur at a monthly or a quarterly interval. Finally, an annual report on past and present activities with new emphasis upon future plans may well be made to all concerned.

Let us not make an error which has so many times attended the development of earlier functions in business. All too often we have permitted new activities to originate at the top of the business and permeate its fabric but slightly. Such a policy may arouse suspicion and uncertainty if not antagonism in the lower ranks.

We should not forget that when men fight behind machines instead of machine guns they see home and family as typifying the country which they are fighting for no less than do men on the firing line. When it becomes clear throughout the organization that long-term planning is taking place and that constructive ideas from any source will be welcome a new spirit of morale will arise built upon the conviction that the future of the establishment no less than the country is also worth fighting for.

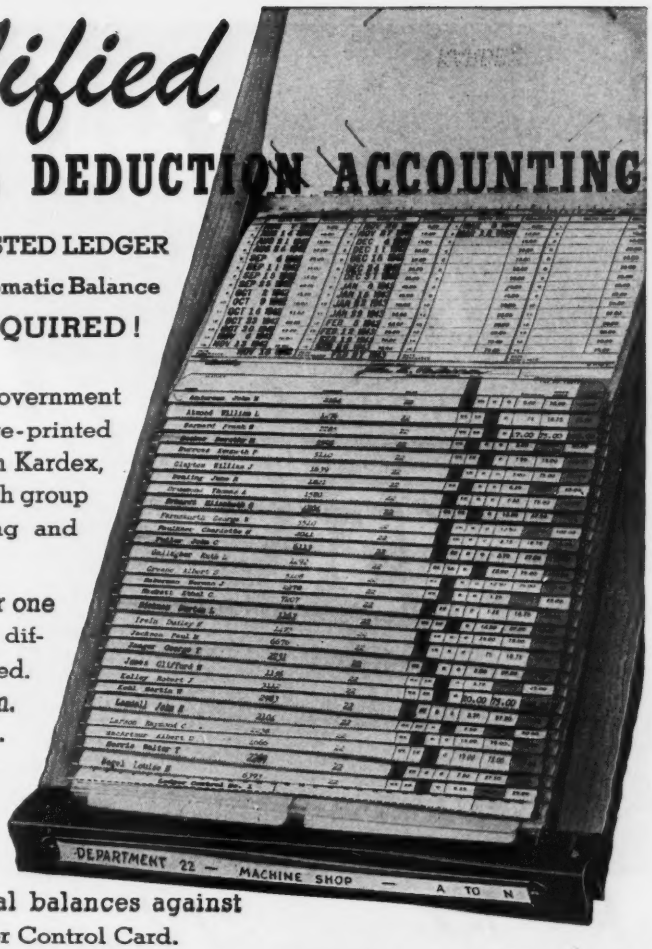
There is a test which we may apply to the soundness of these proposals. It is the test of history. It is a principle of nature that all animate life tends to draw together in the presence of danger. Along with this desire for mutual protection comes greater keenness of perception, greater alertness, greater vision. Within every American enterprise today there are new possibilities of co-ordination and co-operation, and new capacities for long-term planning.

Even as the most significant development in industrial administration during the past quarter century has been the advent of budgetary control, with its ordering of the immediate future, so the next great step may be the capitalizing of longer term sensitiveness so that the dim outlines of the more distant future may be disclosed and its opportunities defined as destiny descends upon us. "Without vision the people perish."

HERE'S *Simplified*
WAR BOND PAYROLL DEDUCTION ACCOUNTING

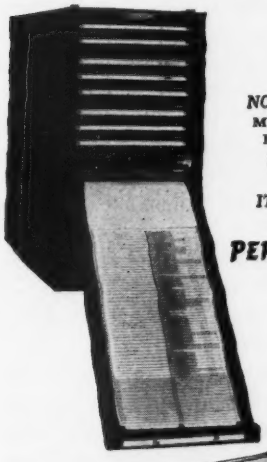
A new Kardex Record, comprising a PRE-POSTED LEDGER with "Stamp Posting" of credits and with Automatic Balance

... NO MACHINE POSTING REQUIRED!



● IT'S SIMPLE to set up! The original government 8x5 Payroll Authorization Card, plus a pre-printed sheet for deduction record, are filed visible in Kardex, for instant reference. A Ledger Control for each group of accounts simplifies and speeds balancing and checking.

IT'S FOOL-PROOF! Employees sign up for one of 13 different ways to buy Bonds. There's a different form for each, with payments pre-printed. You post simply by date-stamping on the form. No amounts to post or balances to figure ... accuracy is assured. Pre-printed balances simplify proving. To take a trial balance, merely run an adding machine tape of individual balances against the Ledger Control Card.



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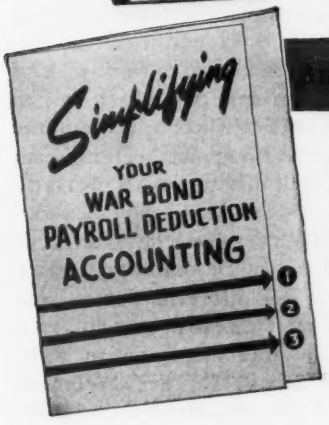
IT'S ECONOMICAL to operate! No machines needed... clerical time cut to the bone. Bond purchase is easy... no need to refer to every card, only those where the right-hand colored signal is offset, indicating that a bond payment has just been completed. Most vital of all, everything needed to record deductions and buy Bonds is in ONE CENTRAL PLACE!

Take steps today to install this system. Kardex assures you rock-bottom operating cost on this non-profit, patriotic function that helps Uncle Sam and boosts employee morale. Mail the coupon now for free, fully informative folder.



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Please send your new free folder on War Bond Deduction Accounting.

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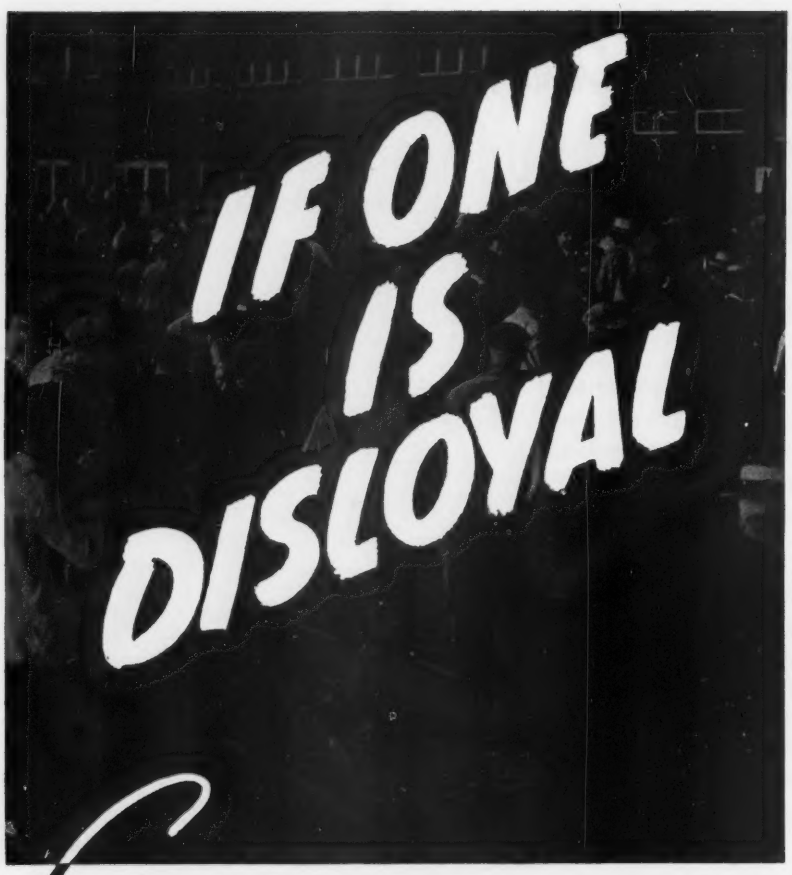
Company .....

Street and No. .....

City ..... State 1CF43



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RENEGOTIATION

(Continued from page 13)

company generally in the following manner: The Board or Section to which a company has been assigned advises the contractor in question of such assignment by letter, requesting the contractor to forward his regularly published annual reports or audits back to 1936 and any interim statements for the current fiscal year. Before renegotiation is completed, it is necessary to provide other material, including estimate as to the balance of the current fiscal year and a breakdown for the current fiscal year as to war business and commercial business, for the latter is no concern of the Price Adjustment Boards.

A meeting is then held either at the offices of the Board or Section handling the case or at the office of the company. If, as has frequently happened, the company believes that it is making excessive profits, agreement may be expedited. In any event, renegotiation proceeds according to the true dictionary definition of the term.

Every attempt is made to reach a verbal agreement as rapidly as possible. War Department renegotiators approach the problem not from the standpoint of what a company should earn but of what a company should *not* earn in connection with arming the country for war. Between the point of profits which clearly a company is entitled to and the point at which profits are clearly excessive there is a twilight zone. It is to this twilight zone that renegotiation is applied.

Upon reaching an agreement in broad outline—and it has frequently been the case that Board representatives have agreed that the contractor is not making any excessive profits—the agreement is reduced to writing. This formal agreement—which is also drawn in cases where it is determined that no excessive profits are being made or are likely to be made—represents the company's *final* clearance for the period covered by the agreement. During this period individual contracting officers will not seek price reductions on individual contracts except on deliveries to be made after the expiration of the period covered by the agreement. Should the company find that profits for the balance of the period covered by

the agreement are proving higher than contemplated at the time of the agreement, it may of course volunteer further price reductions.

Should a company wish the initial renegotiation on its own account, its first step in to ascertain roughly with which Department it has the dollar predominance of contracts, communicating to that Department its desire to initiate renegotiation. It will expedite matters if such a company will furnish initially the type of material indicated above.

Factors in Renegotiation

In a memorandum addressed to Mr. Maurice Karker, Chairman of the War Department Price Adjustment Board, by Colonel Albert J. Browning, Special Representative of the Under-Secretary of War, certain policies were set forth which shed further light on the procedure followed in renegotiation:

"Detailed audits should not be attempted except in those cases where the Board feels that the companies' records, statements or estimates are incorrect, insufficient or misleading.

"Due to the uncertainty of the supply of materials, wage rates, and other possible contingencies, the Board should allow a profit margin sufficient reasonably to protect the contractor. The Board shall not attempt to get the last increment of possible excess profit, but shall take a practical and realistic view in arriving at an agreement. Bear in mind always that uninterrupted, efficient, and maximum production (at minimum cost) is essential to the war effort and greatly desired by the War Department.

"The attitude of the Board should be firm and friendly and renegotiations should be conducted in a spirit of cooperation and to require a minimum of time and inconvenience on the part of executives. Requests for information or detail not absolutely essential to the negotiation must be avoided.

"The Board should consider the effect of the activities of other governmental agencies, such as the War Production Board, the Office of Price Administration, and the Treasury Department, on the business of the company.

"The uncertainty of estimates requires that the right be reserved to review findings when final figures of the

We make lungs

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year are available. But it will be the policy of the Board to allow its original agreements to stand, unless the actual figures with respect to such factors as costs, volume of production, or nature of products prove to be materially at variance with the estimates upon which the settlements were based. In the final review, if it is shown that increased profits have resulted from extra effort on the part of the contractor to reduce costs, the contractor will be given the benefit of this factor."

A company whose profits are being reviewed should not feel that on it has fallen the stigma that it is a "profiteer." In the present emergency the existence of excessive profits is no indication that a company has taken undue advantage of the Government or that the contracting officers have failed to exercise their best judgment under all the circumstances where companies have been asked to produce war equipment with which neither they nor others have had any previous experience, and in quantities greater than ever before.

Close control of prices and profits in war materials has become a vital part of the campaign to prevent inflation. Such close control should also assist industry and the war effort by encouraging low-cost and efficient production, which in turn means the greatest possible volume of production with the smallest commensurate use of men and materials. It is to these ends that the Price Adjustment Boards are directing their activities. It is in this way that they should be helpful in the winning of the war and of the peace to follow.

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Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager.*

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H. C. Daych, *Advertising Manager;* Russell B. Smith, *Western Advertising Manager,* 300 West Adams Street, Chicago, Randolph 8340; *Advertising Representatives:* Boston—Lawrence Mitchell, 80 Boylston Street, Hancock 5066; San Francisco—R. J. Birch & Co., 155 Sansome Street, Douglas 4393; Los Angeles—R. J. Birch & Co., 607 South Hill Street, Van Dyke 7386.